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Date JUL 19 1977

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Interstate Commerce Commission
Washington, D. C.

ICC Washington, D. C.

INTERSTATE COMMERCE COMMISSION
I.C.C.

Gentlemen:

FEE OPERATION BR.

Enclosed for recordation under the provisions of Section 20c of the Interstate Commerce Act, as amended, are the original and 16 counterparts of a Security Agreement and Indenture of Trust dated as of December 15, 1976.

A general description of the railroad rolling stock covered by the enclosed document is set forth in Schedule A attached to this letter and made a part hereof.

The names and addresses of the parties are:

Debtor:

Continental Illinois National Bank
and Trust Company of Chicago,
as Trustee under U. C. Trust No. 13
231 South LaSalle Street
Chicago, Illinois 60690

Secured Party:

Harris Trust and Savings Bank,
as Security Trustee
111 West Monroe Street
Chicago, Illinois 60690

The undersigned is the Debtor mentioned in the enclosed document and has knowledge of the matters set forth therein.

Please return the original and 14 copies of the Security Agreement and Indenture of Trust to Ronald E. Roden, Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603.

Also enclosed is a check in the amount of \$50.00 covering the required recording fee.

Very truly yours,

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO,
as Trustee under U. C. Trust No. 13

By

Its

Vice President

SECURED PARTY AS AFORESAID

Donald W. Alpert

Enclosures

DESCRIPTION OF EQUIPMENT

<u>Number of Units</u>	<u>Description</u>	<u>Identifying Numbers (both inclusive)</u>
71	5,250 cubic feet Railroad Covered Hopper Cars	RAIX 60804-60874
106	85' Flat Cars for Hopper Van Box and Van Box Container Service	RAIX 101-206

Interstate Commerce Commission

Washington, D.C. 20423

7/19/77

OFFICE OF THE SECRETARY

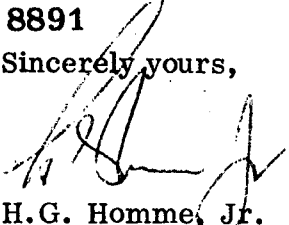
**Donald W. Alfvin, Vice Pres.
Continental Ill. Natl. Bank
& Trust Co. Of Chicago
231 S. LaSalle St.
Chicago, Ill. 60690**

Dear

Sir:

The enclosed document(s) was recorded pursuant to the
provisions of Section 20(c) of the Interstate Commerce Act,
49 U.S.C. 20(c), on **7/19/77** at **11:00am**,
and assigned recordation number(s) **8891**

Sincerely yours,


**H.G. Homme, Jr.
Acting Secretary**

Enclosure(s)

8291

RECORDATION NO. Filed & Recorded

JUL 19 1977 - 11 00 AM

~~INTERSTATE COMMERCE COMMISSION~~
SECURITY AGREEMENT AND INDENTURE OF TRUST

Dated as of December 15, 1976

FROM

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO

As Trustee Under

U.C. Trust No. 13

Debtor

TO

HARRIS TRUST AND SAVINGS BANK

As Security Trustee

Secured Party

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SECURITY AGREEMENT AND INDENTURE OF TRUST

(U. C. Trust No. 13)

THIS SECURITY AGREEMENT AND INDENTURE OF TRUST, dated as of December 15, 1976 (the "*Security Agreement*"), from CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, not in its individual capacity but solely as Trustee under the Trust Agreement referred to in Section 1 hereof (the "*Debtor*"), whose Post Office address is 231 South LaSalle Street, Chicago, Illinois 60690, to HARRIS TRUST AND SAVINGS BANK (the "*Secured Party*"), whose principal office is at 111 West Monroe Street, Chicago, Illinois 60690.

RECITALS:

A. The defined terms used in this Security Agreement shall have the respective meanings indicated in Section 1 hereof unless elsewhere defined or the context shall otherwise require.

B. The Debtor has entered into a Participation Agreement dated as of December 15, 1976 (the "*Participation Agreement*") with the Lessee, General Electric Credit Corporation (the "*Trustor*"), Manufacturers Hanover Trust Company, the Secured Party and the Note Purchasers named in Schedule 1 to the Participation Agreement (the "*Purchasers*") providing for the several commitments of the Purchasers to purchase from time to time on or before July 19, 1978 the 8½% Secured Notes, Series A (the "*Series A Notes*") of the Debtor, not exceeding an aggregate principal amount of \$14,300,000. The Series A Notes are to be dated the date of issue, to bear interest at the rate of 8½% per annum prior to maturity, payable semi-annually on the nineteenth day of January and July in each year, and to be otherwise substantially in the form (with appropriate insertions) attached as Exhibit 1 hereto. The Series A Notes are issuable in six classes as follows:

(1) the Class 1 Notes are to be issued on the first Closing Date under the Participation Agreement in a principal amount equal to 73.50% of the Total Cost of the Items of Railroad Equipment then being financed, are to be expressed to mature in 50 installments of principal in the respective amounts set forth with respect to the Class 1 Notes in the Annex to Exhibit 1 hereto, payable on July 19, 1978 and on the nineteenth day of each January and July thereafter, to and including January 19, 2003;

(2) the Class 2 Notes are to be issued on the first Closing Date under the Participation Agreement in a principal amount equal to 75.75% of the Total Cost of the Vessels then being financed, are to be expressed to mature in 40 installments of principal in the respective amounts set forth with respect to the Class 2 Notes in the Annex to Exhibit 1 hereto, payable on July 19, 1978 and on the nineteenth day of each January and July thereafter to and including January 19, 1998;

(3) the Class 3 Notes are to be issued on the second Closing Date under the Participation Agreement in a principal amount equal to 72.00% of the Total Cost of the Items of Railroad Equipment then being financed, are to be expressed to mature in 50 installments of principal in the respective amounts set forth with respect to the Class 3 Notes in the Annex to Exhibit 1 hereto, payable on July 19, 1978 and on the nineteenth day of each January and July thereafter, to and including January 19, 2003;

(4) the Class 4 Notes are to be issued on the second Closing Date under the Participation Agreement in a principal amount equal to 75.75% of the Total Cost of the Vessels then being financed, are to be expressed to mature in 40 installments of principal in

the respective amounts set forth with respect to the Class 4 Notes in the Annex to Exhibit 1 hereto, payable on July 19, 1978 and on the nineteenth day of each January and July thereafter to and including January 19, 1998;

(5) the Class 5 Notes are to be issued on the third Closing Date under the Participation Agreement in a principal amount equal to 73.50% of the Total Cost of the Items of Railroad Equipment then being financed, are to be expressed to mature in 50 installments of principal in the respective amounts set forth with respect to the Class 5 Notes in the Annex to Exhibit 1 hereto, payable on July 19, 1979 and on the nineteenth day of each January and July thereafter to and including January 19, 2004; and

(6) the Class 6 Notes are to be issued on the third Closing Date under the Participation Agreement in a principal amount equal to 75.75% of the Total Cost of the Vessels then being financed, are to be expressed to mature in 40 installments of principal in the respective amounts set forth with respect to the Class 4 Notes in the Annex to Exhibit 1 hereto, payable on July 19, 1979 and on the nineteenth day of each January and July thereafter, to and including January 19, 1999.

C. The proceeds of the Series A Notes are to be applied by the Debtor to finance a portion of the cost to the Debtor of certain railroad equipment to be leased to the Lessee under the Lease referred to in Section 1 hereof and certain inland river tank barges to be chartered to the Lessee under the Charter referred to in Section 1 hereof. The Debtor intends to issue additional 8½% Secured Notes, Series A, to finance the acquisition of additional equipment and to execute and deliver supplements to this Security Agreement substantially in the form attached hereto as Exhibit 2 extending the security interest of this Security Agreement to said additional equipment.

D. Additional funds may be required by the Debtor to finance additional railroad equipment and/or additional vessels for delivery during the period July 1, 1978 to and including December 31, 1978, and provision is made herein for the issuance of series of Notes in addition to the Series A Notes to provide such funds.

E. All of the requirements of law have been fully complied with and all other acts and things necessary to make this Security Agreement a valid, binding and legal instrument to secure the Indebtedness Hereby Secured have been done and performed. It is the intention of the parties hereto that this Security Agreement shall constitute a mortgage of the Railroad Equipment and assignment of the Lease for purposes of Section 20c of the Interstate Commerce Act.

NOW, THEREFORE, in consideration of the premises and of the sum of Ten Dollars received by the Debtor from the Secured Party and other good and valuable consideration, the receipt whereof is hereby acknowledged, and in order to secure the equal and pro rata payment of both the principal of and interest and premium, if any, upon Series A Notes and such other Notes as may at any time be issued and outstanding under this Security Agreement according to their tenor and effect, and to secure the payment of all other Indebtedness Hereby Secured and the performance and observance of all the covenants contained in the Notes, this Security Agreement and the Participation Agreement:

I. THE SECURED PARTY DOES HEREBY DECLARE THAT it will hold, in trust, for the benefit of the holders of the Notes all right, title and interest in and to the Mortgage referred to in Section 1 hereof to be executed and delivered by the Debtor to the Secured Party, as mortgagee, together with all right, title and interest thereby granted, conveyed or mortgaged in the Vessels chartered and delivered and to be chartered and delivered under the Charter, and all proceeds and avails thereof and of the other Collateral; and

II. THE DEBTOR DOES HEREBY sell, convey, warrant, mortgage, assign, pledge and grant a security interest in, and hypothecate unto the Secured Party, its successors in trust and assigns, forever, all and singular the following described properties, rights, interests and privileges (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to, together with the Mortgage, as the "Collateral"):

DIVISION A

All right, title, interest, claims and demands of the Debtor as owner in, to and under the Charter, including all extensions of the term of the Charter, together with all rights, powers, privileges, options and other benefits of the Debtor as owner under the Charter, including, without limitation, but subject always to Excepted Rights in Collateral:

(i) the immediate and continuing right to receive and collect all Basic Charter Hire (excepting and reserving, however, all Interim Charter Hire), insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable to or receivable by the owner under the Charter pursuant thereto,

(ii) the right to make all waivers and agreements and to give and receive duplicate copies of all notices and other instruments or communications (provided that so long as no Event of Default hereunder shall have occurred and be continuing the Secured Party shall not exercise such right without the prior or concurrent written approval of the Debtor), and

(iii) to take such action upon the occurrence of an Event of Default under the Charter, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Charter or by law, and to do any and all other things whatsoever which the Debtor or any owner is or may be entitled to do under the Charter;

but only insofar as the Charter and such rights, powers, privileges, options and other benefits of the Debtor, as owner thereunder, extend or relate to the Vessels specifically described in Schedule A attached hereto, as said Schedule A may from time to time be supplemented pursuant to Section 10.01 hereof. It is the intent and purpose hereof that, subject always to Excepted Rights in Collateral, the grant to the Secured Party of a security interest in said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive said Basic Charter Hire and other sums for application in accordance with the provisions of Section 5 hereof at all times during the period from and after the date of this Security Agreement until the Indebtedness Hereby Secured has been fully paid and discharged.

DIVISION B

The Railroad Equipment described in Schedule B attached hereto and made a part hereof constituting a part of the railroad equipment leased or to be leased under the Lease, together with all accessories, equipment, parts and appurtenances appertaining or attached to any of the Railroad Equipment hereinabove described, whether now owned or hereafter acquired, and all substitutions, renewals, or replacements of and additions, improvements, accessions and accumulations to any and all of said Railroad Equipment (other than additions, modifications and improvements which are owned by the Lessee under the terms of Section 8 of the Lease) together with all the rents, issues, income, profits and avails therefrom, *subject, however*, to Permitted Encumbrances.

DIVISION C

All right, title, interest, claims and demands of the Debtor as lessor in, to and under the Lease, including all extensions of the term of the Lease, together with all rights, powers, privileges, options and other benefits of the Debtor as lessor under the Lease, including, without limitation, but subject always to Excepted Rights in Collateral:

(i) the immediate and continuing right to receive and collect all Basic Rent (excepting and reserving, however, all Interim Rent), insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable to or receivable by the lessor under the Lease pursuant thereto,

(ii) the right to make all waivers and agreements and to give and receive duplicate copies of all notices and other instruments or communications (provided that so long as no Event of Default hereunder shall have occurred and be continuing the Secured Party shall not exercise such right without the prior or concurrent written approval of the Debtor), and

(iii) to take such action upon the occurrence of an Event of Default under the Lease, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Lease or by law, and to do any and all other things whatsoever which the Debtor or any lessor is or may be entitled to do under the Lease;

but only insofar as the Lease and such rights, powers, privileges, options and other benefits of the Debtor, as lessor thereunder extend or relate to the Items of Railroad Equipment specifically described in Schedule B attached hereto, as said Schedule B may from time to time be supplemented pursuant to Section 10.01 hereof. It is the intent and purpose hereof that subject always to Excepted Rights in Collateral, the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive said Basic Rent and other sums for application in accordance with the provisions of Section 5 hereof at all times during the period from and after the date of this Security Agreement until the Indebtedness Hereby Secured has been fully paid and discharged.

DIVISION D

All right, title, interest, claims and demands of the Debtor in, to and under Section 11.09 of the Participation Agreement, including without limitation the right to receive the purchase price of the Equipment or of the interest of the Trustor therein pursuant to said Section 11.09, it being the intent and purpose hereof that the grant to the Secured Party of a security interest in said rights, claims and demands shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive all amounts payable by the Lessee under said Section 11.09 for application in accordance with the provisions of Section 5 hereof at all times during the period from and after the date of this Security Agreement until the Indebtedness Hereby Secured has been fully paid and discharged.

SUBJECT, HOWEVER, to (a) the interest of the Lessee under the Lease and the Charter, and (b) Permitted Encumbrances.

EXCEPTING AND RESERVING, HOWEVER, Excepted Rights in Collateral.

TO HAVE AND TO HOLD the Collateral unto the Secured Party, its successors and assigns, forever; IN TRUST NEVERTHELESS, upon the terms and trust herein set forth, for the equal and proportionate benefit, security and protection of all present and future holders of the

Notes outstanding hereunder from and after the issuance of the Notes, without preference, priority or distinction of any Note over any other Note by reason of priority of time of issue, sale, negotiation, date of maturity thereof or otherwise for any cause whatsoever; *provided*, always, however, that these presents are upon the express condition that if the Debtor shall pay or cause to be paid all the Indebtedness Hereby Secured and shall observe, keep and perform all the terms and conditions, covenants and agreements herein and in the Participation Agreement and the Notes contained, then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void; otherwise this Security Agreement shall remain in full force and effect.

SECTION 1. DEFINITIONS.

The following terms shall have the following meanings for all purposes of this Security Agreement:

"Additional Equipment" is defined in Section 2.09 hereof.

"Additional Series" is defined in Section 2.09 hereof.

"Basic Charter Hire" shall have the meaning specified in the Charter.

"Basic Rent" shall have the meaning specified in the Lease.

"Casualty Value" with respect to any Item of Equipment shall have the meaning specified in the Lease, or as the case may be, the Charter.

"Charter" shall mean the Charter Agreement dated as of December 15, 1976 between the Debtor, as owner, and the Lessee, as charterer, and as the same may be amended and supplemented from time to time.

"Collateral" is defined in the granting clause hereof.

"Default" shall mean any event which would constitute an Event of Default if any requirement in connection therewith for the giving of notice, or the lapse of time, or both, had been satisfied.

"Equipment" shall mean, collectively, the Vessels and the Railroad Equipment and *"Item of Equipment"* shall mean, individually, the various items thereof.

"Event of Default" is defined in Section 6.01 hereof.

"Excepted Rights in Collateral" shall mean the following described properties, rights, interests and privileges:

(a) all rights of the Debtor under the Charter and the Lease to enter into amendments, waivers and consents with respect to (i) the first two sentences of Section 17.02 of the Charter relating to the assignment or subchartering of any Vessel for more than two years under an agreement pursuant to which maintenance is to be performed by a person other than the Lessee, (ii) the last sentence of Section 17.02 of the Charter relating to the assignment or subchartering of any Vessel to any person who is not a United States person within the meaning of Section 861(e) of the Internal Revenue Code, (iii) clause (i) of the first sentence of Section 17.02 of the Lease with respect to the percentage of use of the Railroad Equipment outside the United States or (iv) the second sentence of Section 17.02 of the Lease relating to the assignment or subleasing of any Item of Equipment for more than two years under an agreement pursuant to which maintenance is to be performed by a person other than the Lessee;

(b) all payments of any indemnity under Sections 6 and 10.02 of the Charter or the Lease which by the terms of the Charter or the Lease are payable to the Debtor or the Trustor for its own account;

(c) all rights of the Debtor and the Trustor under the Charter or the Lease to demand, collect, sue for or otherwise obtain all amounts from the Lessee due the Debtor or the Trustor on account of any such indemnities or payments, provided that the rights excepted and reserved by this paragraph (c) shall not be deemed to include the exercise of any remedies provided for in Section 14.02 of the Charter or the Lease;

(d) if an Event of Default under the Charter or the Lease based solely on a breach of any covenant of the Lessee to pay any such indemnity shall occur and be continuing, the right of the Debtor to declare that an Event of Default exists under the Charter or the Lease and the right of the Debtor or the Trustor to exercise the remedies, but only those remedies, provided for in Section 14.02(1) of the Charter or the Lease to enforce performance by the Lessee of any covenants of the Lessee to pay any such indemnity or payment directly to the Debtor or the Trustor or to recover damages for the breach thereof; and

(e) any insurance proceeds payable under general public liability policies maintained by the Lessee pursuant to Section 11.12 of the Charter or the Lease which by the terms of such policies or the terms of the Charter or the Lease are payable directly to the Debtor or the Trustor for its own account.

"Indebtedness Hereby Secured" shall mean the outstanding Notes and all principal thereof (and premium, if any) and interest thereon and all additional amounts and other sums at any time due and owing from or required to be paid by the Debtor under the terms of the outstanding Notes or this Security Agreement.

"Interim Charter Hire" shall have the meaning specified in the Charter.

"Interim Rent" shall have the meaning specified in the Lease.

"Group" of Equipment shall have the meaning specified in the Participation Agreement.

"Lease" shall mean the Lease of Railroad Equipment dated as of December 15, 1976 between the Debtor, as lessor, and the Lessee, as lessee, and as the same may be amended and supplemented from time to time.

"Marine Equipment Notes" shall mean the Series A Notes of Classes 2, 4 and 6.

"Mortgage" shall mean the First Preferred Fleet Mortgage to be executed and delivered by the Debtor, as mortgagor, in favor of the Secured Party, as mortgagee, and as the same may be amended and supplemented from time to time.

"Note" shall mean any of, and *"Notes"* shall mean all of, the then outstanding Notes of all series and classes from time to time issued hereunder. The term *"outstanding"* when used with reference to Notes shall mean, as of any particular time, all Notes delivered by the Debtor hereunder and secured hereby, except:

(a) Notes theretofore cancelled by the Secured Party or delivered to the Secured Party for cancellation;

(b) Notes for the payment or prepayment of which moneys in the necessary amount shall have been deposited in trust with the Secured Party; provided, that if such Notes are to be prepaid prior to the maturity thereof, notice of such prepayment shall have been given as in Section 5 hereof provided, or provision satisfactory to the Secured Party shall have been made for giving such notice;

(c) Notes in lieu of or in substitution for which other Notes shall have been delivered pursuant to the terms of Section 2 hereof; and

(d) Notes held by or under the direct or indirect control of the Debtor, the Trustor or the Lessee.

"Officer's Certificate" (i) with respect to the Lessee shall mean a certificate signed by the Chairman of the Board, the President, the Vice Chairman of the Board, any Vice President or the Treasurer of the Lessee, and (ii) with respect to the Debtor shall mean a certificate signed by the Chairman of the Board, the President or any Vice President of the Debtor.

"Permitted Encumbrance" shall mean, collectively, (a) the right, title and interest of the Lessee under the Charter and the Lease, (b) the lien of current taxes and assessments not in default, or, if delinquent, the validity of which is being contested in good faith, and (c) liens and charges permitted by Section 9 of the Lease and by Section 9 of the Charter.

"Person" shall mean an individual, partnership, corporation, trust or unincorporated organization, and a government or agency or political subdivision thereof.

"Railroad Equipment" shall mean, collectively, the railroad equipment described in Schedule B attached hereto, and *"Item of Railroad Equipment"* shall mean, individually, the various items thereof.

"Railroad Equipment Notes" shall mean the Series A Notes of Classes 1, 3 and 5.

"Register" is defined in Section 2.03 hereof.

"Security" shall have the same meaning as in Section 2(1) of the Securities Act of 1933, as amended.

"Series A Notes" is defined in Recital B hereof.

"Termination Value" with respect to any Item of Equipment shall have the meaning specified in the Lease, or as the case may be, the Charter.

"Trust Agreement" shall mean the Trust Agreement dated as of December 15, 1976 between the Debtor, as trustee, and the Trustor, as trustor and beneficiary, and as the same may be amended and supplemented from time to time.

"Vessels" shall mean, collectively, the inland river tank barges described in Schedule A attached hereto.

SECTION 2. REGISTRATION OF NOTES.

2.01. REGISTRATION AND EXECUTION. The Notes shall be registered as to principal and interest and shall be signed on behalf of the Debtor by its President or any Vice President who, at the actual date of execution of such Note, shall be a proper officer of the Debtor. Only such Notes as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit 1 hereto shall be entitled to the benefits of this Security Agreement or be valid or obligatory for any purpose. Such certificate by the Secured Party upon any Note executed by the Debtor shall be conclusive evidence that the Note so authenticated has been duly authenticated and delivered hereunder and that the holder is entitled to the benefits of this Security Agreement. The authentication by the Secured Party of any Note issued hereunder shall not be construed as a representation or warranty by the Secured Party as to the validity or security of this Security Agreement or of such Note, and the Secured Party shall in no respect be liable or answerable for the use made of such Note or the proceeds thereof. The Secured Party shall, upon presentation to it of Notes duly executed on behalf of the Debtor, authenticate such Notes upon the written request of the Debtor so to do and shall thereupon deliver such Notes to or upon the written order of the Debtor signed by a Vice President of the Debtor.

2.02. PAYMENT OF THE NOTES. (a) The principal of, premium, if any, and interest on the Notes shall be payable at the principal corporate trust office of the Secured Party, in lawful money of the United States of America. Payment of principal and interest on the Notes shall be made only upon presentation of such Notes to the Secured Party for notation thereon of the amount of such payment.

(b) Notwithstanding the foregoing provisions of paragraph (a) of this Section 2.02, if any Series A Note is registered in the name of any Purchaser or a nominee thereof, or registered in the name of any subsequent holder named in a written notice from the Debtor to the Secured Party and stating that the provisions of this paragraph shall apply, the Secured Party shall make payment of interest on such Series A Note and shall make payments or prepayments (except in the case of a payment or prepayment which will discharge all indebtedness of the Debtor evidenced by such Series A Note) of the principal thereof, and any premium, by check, duly mailed, by first-class mail, postage prepaid, or delivered to such holder at its address appearing on the Register and such holder (or the person for whom such holder is a nominee) will, before selling, transferring or otherwise disposing of such Series A Note, present such Series A Note to the Secured Party for transfer and notation as provided in Sections 2.04 and 2.05 hereof. All payments so made shall be valid and effectual to satisfy and discharge the liability upon such Series A Note to the extent of the sums so paid. The Secured Party is authorized to act in accordance with the foregoing provisions and shall not be liable or responsible to any such holder or to the Debtor or to any other person for any act or omission on the part of the Debtor or such holder in connection therewith.

(c) So long as any Series A Note is registered in the name of any Purchaser or a nominee thereof, the Secured Party will, upon written notice from such Purchaser or its nominee given not less than 20 days prior to the payment or prepayment of the Series A Notes, cause all subsequent payments and prepayments of the principal of, and interest and premium, if any, on the Series A Notes registered in the name of such Purchaser or its nominee to be made to any bank in the continental United States as shall be specified in such notice by wire transfer in Federal Reserve or otherwise immediately available funds to such bank at 11:00 A.M., Chicago time, on each such date such payment or prepayment is due.

(d) If the amount necessary to make any payment of the principal of, premium, if any, or interest due on any of the Notes shall have been deposited with the Secured Party for the account of the holder or holders of such Notes on or before the day such payment is due, and all conditions precedent, if any, for the making of such payment shall have been satisfied by the Debtor, the Debtor and the Secured Party shall be privileged to consider such payment to have been made to the holder or holders of such Notes, and interest on the amount of such payment shall cease to accrue on the date such payment is due, and the Debtor shall thereupon be discharged from further liability in respect of such payment. In case any question shall arise as to whether any condition precedent to any such payment shall have been duly satisfied by the Debtor, or such payment effected, such question shall be decided by the Secured Party, and the decision of the Secured Party shall be final and binding upon all parties in interest. No holder of any Note shall be entitled to any interest on money deposited for any payment on such Note.

2.03. THE REGISTER. The Debtor shall cause to be kept at the principal office of the Secured Party a register for the registration and transfer of Notes (herein called the "*Register*"). The names and addresses of the holders of the Notes, the transfers of the Notes and the names and addresses of the transferees of all Notes shall be registered in the Register.

2.04. TRANSFERS AND EXCHANGES OF NOTES; LOST OR MUTILATED NOTES. (a) The holder of any Note may transfer such Note upon the surrender thereof at the principal corporate trust office of the Secured Party. Thereupon, the Debtor shall execute in the name of the transferee a new Note or Notes of the same series, class and maturity in aggregate principal amount equal to the unpaid principal amount of the Note so surrendered and deliver such new Note or Notes to the Secured Party for delivery to such transferee.

(b) The holder of any Note or Notes may surrender such Note or Notes at the principal corporate trust office of the Secured Party, accompanied by a written request for a new Note or Notes in the same aggregate principal amount as the then unpaid principal amount of the Note or Notes so surrendered and in denominations of \$50,000 or such amount in excess thereof as may be specified in such request. Thereupon, the Debtor shall execute in the name of such holder a new Note or Notes of the same series, class and maturity in the denomination or denominations so requested and in aggregate principal amount equal to the aggregate unpaid principal amount of the Note or Notes so surrendered and deliver such new Note or Notes to the Secured Party for authenticated delivery to such holder.

(c) All Notes presented or surrendered for exchange or transfer shall be accompanied (if so required by the Debtor or by the Secured Party) by a written instrument or instruments of assignment or transfer, in form satisfactory to the Secured Party, duly executed by the registered holder or by its attorney duly authorized in writing. The Debtor and the Secured Party shall not be required to make a transfer or an exchange of any Note for a period of ten days preceding any installment payment date with respect thereto.

(d) No notarial act shall be necessary for the transfer or exchange of any Note pursuant to this Section 2.04, and the holder of any Note issued as provided in this Section 2.04 shall be entitled to any and all rights and privileges granted under this Security Agreement to a holder of a Note.

(e) In case any Note shall become mutilated or be destroyed, lost or stolen, the Debtor, upon the written request of the holder thereof, shall execute and deliver a new Note of the same series, class and maturity in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. The applicant for a substituted Note shall furnish to the Debtor and to the Secured Party such security or indemnity as may be required by them to save each of them harmless from all risks, and the applicant shall also furnish to the Debtor and to the Secured Party evidence to their satisfaction of the mutilation, destruction, loss or theft of the applicant's Note and of the ownership thereof. In case any Note which has matured or is about to mature shall become mutilated or be destroyed, lost or stolen, the Debtor may, instead of issuing a substituted Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Note), if the applicant for such payment shall furnish to the Debtor and to the Secured Party such security or indemnity as they may require to save them harmless, and shall evidence to the satisfaction of the Debtor and the Secured Party the mutilation, destruction, loss or theft of such Note and the ownership thereof. If any Purchaser, or its nominee, is the owner of any such lost, stolen or destroyed Series A Note, then the affidavit of the President, any Vice President, Treasurer or Assistant Treasurer, Secretary or Assistant Secretary of such Purchaser setting forth the fact of loss, theft or destruction and of its ownership of such Series A Note at the time of such loss, theft or destruction shall be accepted as satisfactory evidence thereof and no security or indemnity shall be required as a condition to execution and delivery of a new Series A Note other than the written agreement of such Purchaser to indemnify the Debtor and the Secured Party (including their attorneys' fees) for any claims or actions against them resulting from the issuance of such new Series A Note.

2.05. THE NEW NOTES. (a) Each new Note (herein, in this Section 2.05, called a "New Note") issued pursuant to Section 2.04(a), (b) or (c) hereof in exchange for or in substitution or in lieu of an outstanding Note (herein, in this Section 2.05, called an "Old Note") shall be dated the date of such Old Note. The Secured Party shall mark on each New Note (i) the date to which principal and interest have been paid on such Old Note, (ii) all payments and prepayments of principal previously made on such Old Note which are allocable to such New Note, and (iii) the amount of each installment payment payable on such New Note. Each

installment payment payable on such New Note on any date shall bear the same proportion to the installment payment payable on such Old Note on such date as the original principal amount of such New Note bears to the original principal amount of such Old Note. Interest shall be deemed to have been paid on such New Note to the date on which interest shall have been paid on such Old Note, and all payments and prepayments of principal marked on such New Note, as provided in clause (ii) above, shall be deemed to have been made thereon.

(b) Upon the issuance of a New Note pursuant to Section 2.04(a), (b) or (e) hereof, the Debtor may require the payment of a sum to reimburse it for, or to provide it with funds for, the payment of any tax or other governmental charge and, except in the case of a transfer or exchange of a Series A Note by any Purchaser, any other charges and expenses connected therewith which are paid or payable by the Debtor.

(c) All New Notes issued pursuant to Section 2.04(a), (b) or (e) hereof in exchange for or in substitution or in lieu of Old Notes shall be valid obligations of the Debtor evidencing the same debt as the Old Notes and shall be entitled to the benefits and security of this Security Agreement to the same extent as the Old Notes.

(d) Upon the issuance of any Note Pursuant to this Security Agreement, the Debtor shall deliver to the Secured Party two copies of an amortization schedule with respect to such Note setting forth the amount of the installment payments to be made on such Note after the date of issuance thereof and the unpaid principal balance of such Note after each such installment payment. The Secured Party shall deliver, or send by first-class mail, postage prepaid, one copy of the applicable schedule to the holder of such Note at its address set forth in the Register.

2.06. CANCELLATION OF NOTES. All Notes surrendered for the purpose of payment, redemption, transfer or exchange shall be delivered to the Secured Party for cancellation or, if surrendered to the Secured Party, shall be cancelled by it, and no Notes shall be issued in lieu thereof except as expressly required or permitted by any of the provisions of this Security Agreement. The Secured Party shall deliver a certificate to the Debtor specifying any cancellation of Notes which has been made, and all such cancelled Notes shall be delivered to or disposed of as directed by the Debtor.

2.07. SECURED PARTY AS AGENT. The Secured Party is hereby appointed the agent of the Debtor for the payment, registration, transfer and exchange of Notes. Subject to the provisions of Section 2.02 hereof, Notes may be presented for payment at, and notices or demands with respect to the Notes or this Security Agreement may be served or made at, the principal corporate trust office of the Secured Party.

2.08. REGISTERED OWNER. The Person in whose name any Note shall be registered shall be deemed and treated as the owner thereof for all purposes of this Security Agreement and neither the Debtor nor the Secured Party shall be affected by any notice to the contrary. Payment of or on account of the principal of, premium, if any, and interest on such Note shall be made only to or upon the order in writing of such registered owner. For the purpose of any request, direction or consent hereunder, the Debtor and the Secured Party may deem and treat the registered owner of any Note as the owner thereof without production of such Note.

2.09. ISSUANCE OF ADDITIONAL SERIES OF NOTES. (a) Pursuant to any request by the Lessee in accordance with Section 13.10 of the Participation Agreement, Notes of series other than Series A (the "*Additional Series Notes*") ranking *pari passu* with the Series A Notes may be executed by the Debtor and delivered to the Secured Party for authentication, and thereupon the same shall be, subject to the conditions set forth in Section 2.09(b) hereof, authenticated and delivered by the Secured Party in a principal amount not to exceed 76% of the Debtor's Cost (as hereinafter defined) of any additional railroad equipment and/or additional vessels (the

“Additional Equipment” provided that the Additional Series Notes shall have a final maturity not earlier than January 19, 1999 (if issued to finance additional vessels) or January 19, 2004 (if issued to finance additional railroad equipment) and an average life to maturity at least equal to the remaining average life to maturity of the Series A Notes of the class last to be issued hereunder to finance similar equipment (determined in each case by standard financial practice) and shall not be subject to repayment prior to the final maturity of the Series A Notes of the class last to be issued hereunder to finance similar equipment, whether by means of a sinking fund, installment maturities, required prepayments or other analogous payments at a rate in excess of the rate at which the Series A Notes are thereafter to be prepaid by means of installment maturities (such rate to be determined by dividing each remaining installment payment by the unpaid principal amount of the Series A Notes then outstanding).

(b) The Secured Party shall authenticate and deliver any Additional Series Notes only upon receipt in each case by the Secured Party of a written request of the Debtor so to do, accompanied by the following items:

(1) The Debtor and the Secured Party shall have executed and delivered an indenture supplemental hereto (the *“Supplemental Indenture”*) pursuant to Section 10.01 hereof setting forth the terms and conditions applicable to such Additional Series Notes and describing such Additional Equipment.

(2) The Secured Party shall have received an executed counterpart of a supplement to the Charter or, as the case may be, the Lease (any such supplement being referred to in this Section 2.09 as a *“Lease Supplement”*) describing such Additional Equipment and amending the amounts payable under the Charter or, as the case may be, the Lease so that the installment of Periodic Rent or, as the case may be, Periodic Charter Hire payable under the Lease Supplement on each Rent Payment Date equals or exceeds the sum of the interest payment and the installment, if any, of principal due on such Rent Payment Date on such Additional Series Notes, and the amount of Casualty Value and Termination Value under the Lease Supplement payable on any date equals or exceeds the sum of the principal amount of such Additional Series Notes, which will remain unpaid on such date plus accrued interest thereon.

(3) If such Additional Equipment is a vessel or vessels, the Debtor shall have executed and delivered to the Secured Party a supplement to the Mortgage (the *“Mortgage Supplement”*) covering such vessel or vessels.

(4) The Secured Party shall have received an executed counterpart or a certified copy of a supplement to the Trust Agreement (the *“Supplemental Trust Agreement”*) authorizing the execution and delivery of the Supplemental Indenture, the Lease Supplement, such Additional Series Notes and, if the Additional Equipment is a vessel or vessels, the Mortgage Supplement covering the same.

(5) The Debtor and the Secured Party shall have received a certified copy of resolutions of the Board of Directors of the Lessee authorizing the execution and delivery of the Lease Supplement.

(6) The Debtor and the Secured Party shall have received an opinion or opinions of independent counsel satisfactory to the Secured Party to the effect that:

(A) The Lessee has full right, power and authority to enter into, execute and deliver the Lease Supplement and to perform each and all of the matters and things required to be observed or performed by the Lessee thereunder.

(B) The Lease Supplement has been duly authorized by all necessary corporate action on the part of the Lessee, has been duly executed and delivered by the Lessee, and constitutes the legal, valid and binding obligation, contract and agreement of the Lessee enforceable in accordance with its terms, except as limited by bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally.

(C) There are no liens or security interests of record against the Lessee or the Debtor upon the Additional Equipment, other than Permitted Encumbrances.

(D) No approval, consent or withholding of objection is required from any public regulatory body with respect to the entering into or performance by the Lessee of the Lease Supplement.

(E) The execution and delivery by the Lessee of the Lease Supplement and compliance by the Lessee with all of the provisions of the Lease as supplemented thereby will not (i) violate (x) any provision of Federal or New York law or, to the best of such counsel's knowledge any provision of any other law or (y) any order binding on the Lessee of any court or governmental agency or (ii) conflict with, result in a breach of or constitute a default under the provisions of the Restated Certificate of Incorporation or By-laws of the Lessee or any indenture, agreement or other instrument known to such counsel to which the Lessee is a party or by which it is bound.

(F) The Debtor has full right, power and authority to enter into and perform the Supplemental Trust Agreement, and, as Trustee under the Trust Agreement as so supplemented, to enter into, execute and deliver the Lease Supplement, the Supplemental Indenture, the Mortgage Supplement and such Additional Series Notes and to perform each and all of the matters and things provided for in said instruments.

(G) The Supplemental Trust Agreement, the Lease Supplement, the Supplemental Indenture, the Mortgage Supplement and such Additional Series Notes have been duly executed and delivered by the Debtor and constitute the legal, valid and binding obligations, contracts and agreements of the Debtor enforceable in accordance with their respective terms, except as limited by bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally.

(H) No consent, approval or authorization of any governmental authority is required on the part of the Debtor in connection with the execution and delivery of the Supplemental Trust Agreement, the Lease Supplement, the Supplemental Indenture, the Mortgage Supplement or the offer, issue, sale or delivery of such Additional Series Notes.

(I) If such Additional Equipment is a vessel or vessels, the Additional Equipment has been duly documented under the laws of the United States of America, the Mortgage Supplement has been duly recorded in the office of the Marine Officer (Documentation), U.S. Coast Guard, New York, New York, the Mortgage Supplement has been duly endorsed on the documents of such Additional Equipment, and the Mortgage, as supplemented, constitutes a first "preferred mortgage" under the Ship Mortgage Act, 1920, as amended.

(J) The Lease Supplement (or a financing statement with respect thereto) has been filed in all public offices wherein such filing or recordation is necessary to protect the rights of the Debtor thereunder and to perfect the right, title and interest of the Secured Party hereunder.

(K) The Supplemental Indenture (or a financing statement or similar notice thereof to the extent permitted or required by applicable law) has been filed for record or recorded in all public offices wherein such filing or recordation is necessary to perfect the lien and security interest of the Secured Party hereunder as against creditors of and purchasers from the Debtor, and, if such Additional Equipment is Railroad Equipment, this Security Agreement, as supplemented by the Supplemental Indenture, constitutes a valid and perfected first lien on and creates a valid first security interest in the right, title and interest of the Debtor in and to such Additional Equipment, effective as against creditors of and purchasers from the Debtor and the Lessee, subject only to Permitted Encumbrances, and a valid and perfected first security interest in and to the rentals due and to become due under the Charter or, as the case may be, the Lease, as supplemented by the Lease Supplement, effective as against creditors of and purchasers from the Debtor.

(7) The Secured Party shall have received an Officer's Certificate of the Lessee as to all facts which are conditions precedent to such issuance and, without limiting the generality of the foregoing, specifying, in reasonable detail, the Debtor's Cost of the Additional Equipment and stating that, giving effect to the execution and delivery of the Lease Supplement and the issuance of such Additional Series Notes, no Default or Event of Default under the Lease or the Charter has occurred and is continuing.

(8) The Trustor, pursuant to the Supplemental Trust Agreement, shall have advanced to the Debtor an amount equal to the Debtor's Cost of the Additional Equipment less the principal amount of such Additional Series Notes, and the Secured Party shall have received an Officer's Certificate of the Debtor to the effect that such advance has been received by the Debtor.

"Debtor's Cost" of Additional Equipment may include (i) all costs charged and properly chargeable to the capital accounts of the Debtor in accordance with generally accepted accounting principles in connection with the acquisition of such Additional Equipment (including commissions, attorneys' and engineers' fees and costs, charges for the preparation of plans and specifications and interest during construction); and (ii) any accounting, legal printing, duplicating and other normally capitalized expenditures incurred in satisfying the conditions specified in this Section 2.09.

SECTION 3. COVENANTS AND WARRANTIES OF THE TRUST.

The Debtor covenants, warrants and agrees as follows:

3.01. DEBTOR'S DUTIES. The Debtor covenants and agrees well and truly to perform, abide by and to be governed and restricted by each and all of the terms, provisions, restrictions, covenants and agreements set forth in the Participation Agreement, and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns, to the same extent as though each and all of said terms, provisions, restrictions, covenants and agreements were fully set out herein and as though any amendment or supplement to the Participation Agreement were fully set out in an amendment or supplement to this Security Agreement.

3.02. WARRANTY OF TITLE. The Debtor has the right, power and authority under the Trust Agreement to grant a security interest in the Collateral to the Secured Party for the uses and purposes herein set forth; and the Debtor will warrant and defend the title to the Collateral against all claims and demands of persons claiming by, through or under the Debtor (excepting only Permitted Encumbrances).

3.03. FURTHER ASSURANCES. Upon the request in writing of the Secured Party, the Debtor will, at its own expense, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired. Without limiting the foregoing but in furtherance of the security interest herein granted in the Basic Charter Hire and other sums due and to become due under the Charter with respect to the Vessels and the Basic Rents and other sums due and to become due under the Lease with respect to the Railroad Equipment, the Debtor covenants and agrees that it will notify the Lessee in the manner and form specified by the Secured Party of such security interest pursuant to Section 16 of the Charter and the Lease and that, subject to Excepted Rights in Collateral, it will direct the Lessee to make all payments of such Basic Charter Hire and other sums due and to become due under the Charter and such Basic Rents and other sums due and to become due under the Lease directly to the Secured Party or as the Secured Party may direct.

3.04. AFTER-ACQUIRED PROPERTY. Any and all property described or referred to in the granting clauses hereof which is hereafter acquired shall *ipso facto*, and without any further conveyance, assignment or act on the part of the Debtor or the Secured Party, become and be subject to the security interest herein granted as fully and completely as though specifically described herein, but nothing in this Section 3.04 contained shall be deemed to modify or change the obligation of the Debtor under Section 3.03 hereof.

3.05. RECORDATION AND FILING. The Debtor will cause this Security Agreement, the Charter and the Lease and all supplements hereto or thereto, and all financing and continuation statements and similar notices required by applicable law, at all times to be kept, recorded and filed at its own expense in such manner and in such places in the United States as may be required in order fully to preserve and protect under the laws of the United States the rights of the Secured Party hereunder, and will at its own expense furnish to the Secured Party promptly after the execution and delivery of this Security Agreement and of any supplemental Security Agreement an opinion of counsel stating that in the opinion of such counsel this Security Agreement or such supplement, as the case may be, has been properly recorded or filed for record so as to make effective of record the security interest intended to be created hereby.

3.06. ACTIONS WITH RESPECT TO COLLATERAL. The Debtor will not:

(a) subject to Excepted Rights in Collateral, declare a default or exercise the remedies of the Lessor under, or terminate, modify or accept a surrender of, or offer or agree to any modification, surrender or termination of, the Charter with respect to the Vessels (except as otherwise expressly provided herein) or by affirmative act consent to the creation or existence of any security interest or other lien to secure the payment of indebtedness upon the leasehold estate in the Vessels created by the Charter or any part thereof; or

(b) receive or collect or permit the receipt or collection of any Basic Charter Hire payment with respect to the Vessels and any other payments under the Charter with respect to the Vessels prior to the date for payment thereof provided for by the Charter or assign, transfer or hypothecate (other than to the Secured Party hereunder or to any successor Trustee under the Trust Agreement referred to above) any Basic Charter Hire payment and any other payments then due or to accrue in the future under the Charter with respect to the Vessels; or

(c) subject to Excepted Rights in Collateral, declare a default or exercise the remedies of the Lessor under, or terminate, modify or accept a surrender of, or offer or agree to any modification, surrender or termination of, the Lease with respect to the Railroad Equipment (except as otherwise expressly provided herein) or by affirmative act consent to the creation or existence of any security interest or other lien to secure the payment of indebtedness upon the leasehold estate in the Railroad Equipment created by the Lease or any part thereof; or

(d) receive or collect or permit the receipt or collection of any Basic Rent payment with respect to the Railroad Equipment and any other payment under the Lease with respect to the Railroad Equipment prior to the date for the payment thereof provided for by the Lease or assign, transfer or hypothecate (other than to the Secured Party hereunder or to any successor Trustee under the Trust Agreement referred to above) any Basic Rent payment with respect to the Railroad Equipment and any other payment then due or to accrue in the future under the Lease with respect to the Railroad Equipment; or

(e) sell, mortgage, transfer, assign or hypothecate (other than to the Secured Party hereunder or to any successor Trustee under the Trust Agreement referred to above) its interest in the Vessels or the Railroad Equipment or any part thereof or in any amount to be received by it from the use or disposition of the Equipment.

3.07. POWER OF ATTORNEY IN RESPECT OF THE CHARTER AND THE LEASE. Subject always to Excepted Rights in Collateral, the Debtor does hereby irrevocably constitute and appoint the Secured Party its true and lawful attorney with full power of substitution, for it and in its name, place and stead, (i) to ask, demand, collect, receive and receipt for any and all Basic Charter Hire, Basic Rent and other sums which are assigned hereunder and to endorse the name of the Debtor on all commercial paper given in payment or in part payment thereof, and (ii) without limiting the provisions of the foregoing clause (i) hereof, during the continuance of any Event of Default under this Security Agreement, to sue for, compound and give acquittance for, settle, adjust or compromise any claim for any and all such Basic Charter Hire with respect to the Vessels, Basic Rent with respect to the Railroad Equipment and other sums assigned hereunder as fully as the Debtor could itself do, in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Debtor or otherwise, which the Secured Party may deem necessary or appropriate to protect and preserve the right, title and interest of the Secured Party in and to such Basic Charter Hire, Basic Rent and other sums and the security intended to be afforded hereby.

SECTION 4. POSSESSION, USE AND RELEASE OF PROPERTY.

4.01. POSSESSION AND USE OF COLLATERAL. While the Debtor is not in default hereunder it shall be suffered and permitted to remain in full possession, enjoyment and control of the Equipment and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto; provided, always, that the possession, enjoyment, control and use of the Equipment shall at all times be subject to the observance and performance of the terms of this Security Agreement. It is expressly understood that the use and possession of the Equipment by the Lessee under and subject to the Charter or, as the case may be, the Lease shall not constitute a violation of this Section 4.01.

4.02. RELEASE OF EQUIPMENT. So long as no Event of Default referred to in Section 6 hereof has occurred and is continuing to the knowledge of the Secured Party, the Secured Party shall execute a release in respect of any Item of Equipment designated by the Lessee for settlement pursuant to Section 11 of the Charter or, as the case may be, the Lease upon receipt of: (i) written notice from the Lessee designating the Item of Equipment in respect of which the Charter or, as the case may be, the Lease will terminate, and (ii) settlement by the Lessee for such Item of Equipment in compliance with Section 11 of the Charter or, as the case may be, the Lease.

4.03. RELEASE OF EQUIPMENT—CONSENT OF NOTEHOLDERS. In addition to the sale, exchange or release pursuant to the foregoing Section 4.02, the Debtor may sell or otherwise dispose of any Item of Equipment then subject to the lien of this Security Agreement, and the

Secured Party shall release the same from the lien hereof to the extent and on the terms and upon compliance with the conditions provided for in any written consent given thereto at any time or from time to time by the holder or holders of the Indebtedness Hereby Secured.

4.04. RELEASE OF EQUIPMENT—EXPIRATION OF TERM. So long as no Event of Default referred to in Section 6 hereof has occurred and is continuing to the knowledge of the Secured Party, the Secured Party shall execute a release in respect of any Item of Equipment in the event that the Note or Notes issued to finance the acquisition of such Item of Equipment have been fully paid and discharged.

4.05. PROTECTION OF PURCHASER. No purchaser in good faith of property purporting to be released hereunder shall be bound to ascertain the authority of the Secured Party to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser, in good faith, of any item or unit of the Collateral be under obligation to ascertain or inquire into the conditions upon which any such sale is hereby authorized.

SECTION 5. PREPAYMENTS, APPLICATION OF ASSIGNED RENTS AND CERTAIN OTHER MONEYS RECEIVED BY THE SECURED PARTY.

5.01. VOLUNTARY PREPAYMENT. In addition to the prepayments required by Sections 5.03, 5.05 and 5.06 hereof, the Debtor shall have the privilege, so long as no Event of Default shall have occurred and be continuing, of prepaying the Series A Notes in whole, but not in part, on January 19, 1988 or on any interest payment date thereafter (but not before), upon thirty days' prior written notice to the holder or holders thereof, by payment of the principal amount of the Series A Notes and accrued interest thereon to the date of prepayment, together with a premium equal to the following respective percentages of the principal amount being principal amount being prepaid:

<u>If prepaid in the 12-month period beginning January 19</u>	<u>Premium (Percentage of Principal Amount)</u>
1988	4.2500%
1989	3.8958%
1990	3.5416%
1991	3.1875%
1992	2.8333%
1993	2.4792%
1994	2.1250%
1995	1.7708%
1996	1.4167%
1997	1.0625%
1998	0.7083%
1999	0.3542%
2000 and thereafter	none

Upon the giving of such notice, the principal amount of all the Series A Notes shall become due on the date fixed for prepayment.

5.02. APPLICATION OF RENTS. So long as no Event of Default shall have occurred and be continuing to the knowledge of the Secured Party, the amounts from time to time received by the Secured Party which constitute payment of the installments of Periodic Charter Hire under the Charter or Periodic Rent under the Lease shall be applied *first*, to the pro rata payment of the installments of principal and interest (and in each case first to interest and then to principal) on all Notes which have matured or will mature on or before the due date of the installments of Periodic Charter Hire or Periodic Rent which are received by the Secured Party, and *second*, the balance, if any, of such amounts shall be paid to or upon the order of the Debtor promptly upon collection of such amounts by the Secured Party.

5.03. APPLICATION OF CASUALTY VALUE AND TERMINATION VALUE PAYMENTS. For convenience in administration of the security, each Series A Note of each Class will identify the Group of Equipment financed with the proceeds of Series A Notes of such Class. So long as no Event of Default has occurred and is continuing to the knowledge of the Secured Party, the amounts from time to time received by the Secured Party which constitute settlement by the Lessee of the Casualty Value or the Termination Value of an Item of Equipment of any Group pursuant to Section 11 of the Charter or the Lease shall be ratably applied *first* to the prepayment without premium of the unpaid principal amount with respect to such Item of Equipment (determined as of the date of prepayment in accordance with Section 5.04 hereof) of the Series A Notes of the Class identifying such Group, together with interest accrued to the date of prepayment on the amount so prepaid, and *second*, to or upon the order of the Debtor. Each of the remaining installments of each Series A Note of such Class shall be reduced in the proportion that the principal amount of the prepayment bears to the unpaid principal amount of such Series A Note immediately prior to the prepayment.

5.04. UNPAID PRINCIPAL AMOUNT. The unpaid principal amount of any Class of Series A Notes with respect to an Item of Equipment of the Group financed with the proceeds of Notes of such Class shall mean as of any date an amount bearing the same relationship to the aggregate principal amount of the Notes of such Class unpaid on such date (giving effect to the payment of any regular installment payable on such date in respect of Notes of such Class) as the Total Cost of such Item of Equipment bears to the aggregate Total Cost of all Items of Equipment of such Group subject to this Security Agreement or the Mortgage on such date.

5.05. APPLICATION OF PURCHASE PRICE. Any amount received by the Secured Party which constitutes payment of the purchase price of the Equipment pursuant to Section 11.09 of the Participation Agreement shall, so long as no Event of Default shall have occurred and be continuing to the knowledge of the Secured Party, be applied *first*, to the payment to the holder or holders of the Series A Notes of the amount then owing and unpaid on the Series A Notes for principal and interest, and *second*, the balance, if any, of such amount shall be paid to or upon the order of the Debtor promptly upon collection of such amount by the Secured Party.

5.06. APPLICATION OF LIMITATION VALUE PAYMENT. Any amount received by the Secured Party which constitutes payment of the Limitation Value of the Vessels pursuant to Section 26 of the Charter shall, so long as no Event of Default shall have occurred and be continuing to the knowledge of the Secured Party, be applied *first* to the payment to the holder or holders of the Marine Equipment Notes of the amount then owing and unpaid on the Marine Equipment Notes for principal and interest, and *second*, the balance, if any, of such amount shall be paid to or upon the order of the Debtor promptly upon collection of such amount by the Secured Party.

5.07. APPLICATION DURING EVENT OF DEFAULT. If an Event of Default has occurred and is continuing, all amounts received by the Secured Party shall be applied in the manner provided for in Section 6.07 hereof.

5.08. APPLICATION IN ACCORDANCE WITH OPERATIVE AGREEMENTS. So long as no Event of Default shall have occurred and be continuing to the knowledge of the Secured Party, any payments received by the Secured Party, provision for the application of which is made in the Lease, the Charter or the Participation Agreement, shall be applied to the purpose for which of such payments were made in accordance with the terms of the Lease, the Charter or the Participation Agreement, as the case may be.

5.09. UNDERTAKING TO PAY IN LIKE FUNDS. Unless otherwise provided herein, all payments made to the Debtor by the Secured Party hereunder shall be made, to the extent possible, in the same type of funds received for such purpose by the Secured Party.

SECTION 6. DEFAULTS AND OTHER PROVISIONS.

6.01. EVENTS OF DEFAULT. The term "*Event of Default*" for all purposes of this Security Agreement shall mean one or more of the following:

(a) Default in payment of an installment of the principal of, or interest (and premium, if any) on, any Note when and as the same shall become due and payable, whether at the due date thereof or at the date fixed for prepayment or by acceleration or otherwise, and any such default shall continue unremedied for more than ten days;

(b) An "Event of Default" as set forth in Section 2.01 of the Mortgage;

(c) An "Event of Default" as set forth in Section 14 of the Charter or the Lease;

(d) Default on the part of the Debtor in the due observance or performance of any covenant or agreement to be observed or performed by it under this Security Agreement or the Participation Agreement, and such default shall continue unremedied for thirty days after written notice from the Secured Party to the Debtor specifying the default and demanding the same to be remedied;

(e) Any representation or warranty made by the Debtor herein or in the Participation Agreement or in any report, certificate, financial or other statement furnished by the Debtor in connection with this Security Agreement, the Charter, the Lease or the Participation Agreement, or the transactions contemplated thereby shall prove to be false or misleading in any material respect as of the date of the issuance or making thereof and shall not be made good within thirty days after notice thereof from the Secured Party to the Debtor; or

(f) Any claim, lien or charge (other than Permitted Encumbrances and liens, charges and encumbrances which the Lessee is obligated to discharge under Section 9 of the Charter or the Lease) shall be asserted against or levied or imposed upon any Item of Equipment which is prior to or on a parity with the security interest granted hereunder and under the Mortgage, and (unless being contested in accordance with Section 9 of the Participation Agreement) such claim, lien or charge shall not be discharged or removed within thirty days after written notice from the Secured Party or the holder of any Note to the Debtor and the Lessee demanding the discharge or removal thereof.

6.02. SECURED PARTY'S RIGHTS. The Debtor agrees that when any Event of Default has occurred and is continuing, but subject always to Section 8 hereof, the Secured Party shall have the rights, options, duties and remedies of a secured party, and the Debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code of Illinois (regardless of whether

such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and, without limiting the foregoing, may exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies; but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute:

(a) The Secured Party may, and upon the written request of the holders of not less than 25% in principal amount of the Notes shall, by notice in writing to the Debtor, declare the entire unpaid balance of the Notes to be immediately due and payable; and thereupon all such unpaid balance, together with all accrued interest thereon, shall be and become immediately due and payable;

(b) Subject always to the then existing rights, if any, of the Lessee under the Charter and the Lease, the Secured Party personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any of the premises of the Debtor or the Lessee, with or without notice, demand, process of law or legal procedure, and search for, take possession of, remove, keep and store the same, or use and operate or charter or lease the same until sold;

(c) Subject always to the then existing rights, if any, of the Lessee under the Charter and the Lease, the Secured Party may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Debtor once at least ten days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of the Collateral, or any part thereof, at public auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Secured Party may determine, and at any place (whether or not it be the location of the Collateral or any part thereof) designated in the notice above referred to. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further published notice, and the Secured Party or the holder or holders of the Notes or of any interest therein, may bid and become the purchaser at any such sale;

(d) Subject always to the then existing rights, if any, of the Lessee under the Charter and the Lease, the Secured Party may proceed to protect and enforce this Security Agreement and the Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Collateral or any part thereof, or, subject to the provisions of Section 8 hereof, for the recovery of judgment for the indebtedness hereby secured or for the enforcement of any other proper, legal or equitable remedy available under applicable law; and

(e) Subject always to the then existing rights, if any, of the Lessee under the Charter and the Lease, the Secured Party may proceed to exercise all rights, privileges and remedies of the Owner under the Charter and the Lessor under the Lease, and may exercise all such

rights and remedies either in the name of the Secured Party or in the name of the Debtor for the use and benefit of the Secured Party.

6.03. CERTAIN RIGHTS OF TRUSTOR. The Secured Party shall give the holders of the Notes, the Debtor and the Trustor prompt written notice of any Default or Event of Default of which the Secured Party has knowledge (as defined in Section 7.03(a) hereof) and shall give the holders of the Notes, the Debtor and the Trustor not less than five days' prior written notice of the date (the "*Enforcement Date*") on which the Secured Party will exercise any remedy or remedies pursuant to Section 6.02 hereof or pursuant to Section 2.01 of the Mortgage. If a Default or Event of Default shall have occurred and be continuing, the Trustor shall have the following rights hereunder:

(a) In the event that as a result of the occurrence of a Default or an Event of Default in respect of the payment of Periodic Rent under the Lease or, as the case may be, the payment of Periodic Charter Hire under the Charter, the Secured Party shall have insufficient funds to pay any payment of principal and interest on any Note on the day it becomes due and payable, the Trustor may, but shall not be obligated to, pay to the Secured Party prior to the Enforcement Date, an amount equal to any principal and interest (including interest, if any, on overdue payments of principal and interest) then due and payable on the Notes, and, unless the Lessee has failed for any reason to pay when due either the next preceding payment of Periodic Rent on the Periodic Rent Payment Date or the next preceding payment of Periodic Charter Hire under the Charter, such payment by the Trustor shall be deemed to cure any Default or Event of Default which would otherwise have arisen on account of the non-payment by the Lessee of such installment of Periodic Rent under the Lease or, as the case may be, such installment of Periodic Charter Hire under the Charter.

Except as hereinafter in this Section 6.03(a) provided, the Trustor shall not obtain any lien, charge or encumbrance of any kind on any of the Collateral for or on account of costs or expenses incurred in connection with the exercise of such cure right, nor shall any claim of the Trustor against the Lessee or any other party for the repayment of such costs or expenses impair the prior right and security interest of the Secured Party in and to the Collateral. Upon such payment by the Trustor of the amount of principal and interest then due and payable on the Notes, the Trustor shall be subrogated to the rights of the Secured Party and the holders of the Notes in respect of the Periodic Rent or, as the case may be, the Periodic Charter Hire which was overdue at the time of such payment and interest payable by the Lessee on account of its being overdue, and therefore, if no other Default or Event of Default shall have occurred and be continuing and if all principal and interest payments due on the Notes have been paid at the time of receipt by the Secured Party of such Periodic Rent or, as the case may be, the Periodic Charter Hire the Trustor shall be entitled to receive such Periodic Rent or, as the case may be, the Periodic Charter Hire and such interest upon receipt thereof by the Secured Party; provided that (i) in the event the principal and interest on the Notes shall have become due and payable pursuant to Section 6.02(a) hereof, such subrogation shall, until principal of and interest on all Notes shall have been paid in full, be subordinate to the rights of the Secured Party and the holders of the Notes in respect of such payment of Periodic Rent or, as the case may be, the Periodic Charter Hire and such interest on such overdue Periodic Rent or, as the case may be, the Periodic Charter Hire prior to receipt by the Trustor of any amount pursuant to such subrogation, and (ii) the Trustor shall not be entitled to seek to recover any such payment (or any payment in lieu thereof) except pursuant to the foregoing right of subrogation.

(b) At any time after the Lease or the Charter has been declared in default pursuant to Section 6.02(e) hereof and upon the written request of the Trustor, each holder of a Note agrees that it will, upon receipt from the Trustor of an amount equal to the aggregate unpaid principal amount of all Notes then held by such holder, together with accrued interest thereon to the date of payment, plus all other sums then due and payable to such holder hereunder or under the Participation Agreement, the Lease, the Charter or such Notes, forthwith sell, assign, transfer and convey to the Trustor (without recourse or warranty of any kind), all of the right, title and interest of such holder in and to this Security Agreement, the Mortgage, the Participation Agreement, the Lease, the Charter and the Notes held by such holder, and the Trustor shall assume all of such holder's obligations under the Participation Agreement, provided, the Trustor shall so purchase all of the Notes then outstanding hereunder. If the Trustor shall so request, such holder will comply with all of the provisions of Section 2.04 hereof to enable new Notes to be issued to the Trustor in such denominations as the Trustor shall request. All charges and expenses required pursuant to Section 2.05 hereof in connection with the issuance of any such new Note shall be borne by the Trustor.

6.04. ACCELERATION CLAUSE. In case of any sale of the Collateral, or of any part thereof, pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Security Agreement, the principal of the Notes, if not previously due, and the interest accrued thereon, shall at once become and be immediately due and payable; also in the case of any such sale, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Note or Notes and any claims for interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum apportionable and applicable to the Notes including principal and interest thereof out of the net proceeds of such sale after allowing for the proportion of the total purchase price required to be paid in actual cash.

6.05. WAIVER BY DEBTOR. To the full extent permitted by law, the Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or at any time hereinafter in force, nor claim, take, nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisal of the Collateral or any part thereof, prior to any sale or sales thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction, nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, hereby expressly waives for itself and on behalf of each and every Person, except decree or judgment creditors of the Debtor acquiring any interest in or title to the Collateral or any part thereof subsequent to the date of this Security Agreement, all benefit and advantage of any such law or laws, and, to the full extent legally permitted, covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Secured Party, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

6.06. EFFECT OF SALE. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Debtor in and to the property sold, shall be a perpetual bar, both at law and in equity, against the Debtor, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through

the Debtor, its successors or assigns (subject, however, to the then existing rights, if any, of the Lessee under the Charter and the Lease).

6.07. APPLICATION OF SALE PROCEEDS. All amounts received, or then held by, the Secured Party, so long as an Event of Default has occurred and is continuing, including without limitation, the purchase money proceeds and/or avails of any sale of the Collateral, or any part hereof, and the proceeds and the avails of any remedy hereunder, shall be applied as follows:

(a) *First*, to the payment of reasonable costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder by the Secured Party, or the holder or holders of the Notes;

(b) *Second*, to the payment to the holder or holders of the Notes of the amount then owing and unpaid on the Notes for principal and interest and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Notes, then ratably according to the aggregate of such principal and the accrued and unpaid interest and premium, if any, with application on each Note to be made, first, to the unpaid principal thereof, second, to unpaid premium, if any, thereon, and third, to unpaid interest thereon; such application to be made upon presentation of the several Notes, and the notation thereon of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid; and

(c) *Third*, to the payment of the surplus, if any, to the Debtor, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

6.08. DISCONTINUANCE OF REMEDIES. In case the Secured Party shall have proceeded to enforce any right under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then and in every such case the Debtor, the Secured Party and the holders of the Notes shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

6.09. CUMULATIVE REMEDIES. No delay or omission of the Secured Party or of the holder of any Note to exercise any right or power arising from any default on the part of the Debtor, shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Secured Party, or the holder of any Note of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the Indebtedness Hereby Secured operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Secured Party or holder of any of the Notes be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

SECTION 7. THE SECURED PARTY.

7.01. CERTAIN DUTIES AND RESPONSIBILITIES OF SECURED PARTY. (a) Except during the continuance of an Event of Default:

(1) the Secured Party undertakes to perform such duties and only such duties as are specifically set forth in this Security Agreement and the Mortgage, and no implied covenants or obligations shall be read into this Security Agreement or the Mortgage against the Secured Party; and

(2) in the absence of bad faith on its part, the Secured Party may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Secured Party and conforming to the requirements of this Security Agreement, the Mortgage, the Charter or the Lease; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Secured Party, the Secured Party shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Security Agreement.

(b) In case an Event of Default has occurred and is continuing, the Secured Party shall exercise such of the rights and powers vested in it by this Security Agreement for the benefit of the holders of the Notes, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Security Agreement shall be construed to relieve the Secured Party from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(1) this subsection shall not be construed to limit the effect of subsection (a) of this Section;

(2) the Secured Party shall not be liable for any error of judgment made in good faith by an officer of the Secured Party unless it shall be proved that the Secured Party was negligent in ascertaining the pertinent facts; and

(3) the Secured Party shall not be liable to the holder of any Note with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of two-thirds principal amount of the Notes outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Secured Party, or exercising any trust or power conferred upon the Secured Party under this Security Agreement or the Mortgage.

(d) No provision of this Security Agreement shall require the Secured Party to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(e) Whether or not therein expressly so provided, every provision of this Security Agreement relating to the conduct or affecting the liability of or affording protection to the Secured Party shall be subject to the provisions of this Section.

7.02. CERTAIN LIMITATIONS ON SECURED PARTY'S RIGHTS TO COMPENSATION AND INDEMNIFICATION. The Secured Party agrees that it shall have no right against the Debtor, the Trustor, the Purchasers or the holders of any Note for the payment of compensation for its services hereunder or any expenses or disbursements incurred in connection with the exercise and performance of its powers and duties hereunder or any indemnification against liabilities which it

may incur in the exercise and performance of such powers and duties but on the contrary, shall look solely to the Lessee under Sections 8 and 10 of the Participation Agreement for such payment and indemnification and that it shall have no lien on or security interest in the Collateral as security for such compensation, expenses, disbursements and indemnification except to the extent provided for in Section 6.07(a) hereof.

7.03. CERTAIN RIGHTS OF SECURED PARTY. (a) The Secured Party shall not be responsible for any recitals herein or in the Participation Agreement or the Mortgage or for insuring the Equipment, or for paying or discharging any tax, assessment, governmental charge or lien affecting the Collateral, or for the recording, filing or refileing of this Security Agreement or the Mortgage, or of any supplemental or further mortgage or trust deed, nor shall the Secured Party be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements contained herein or in the Participation Agreement or the Mortgage, and, except in the case of a default in the payment of the principal of, or interest or premium, if any, on any Note or a default of which the Secured Party has actual knowledge, the Secured Party shall be deemed to have knowledge of any default in the performance or observance of any such covenants, conditions or agreements only upon receipt of written notice thereof from one of the holders of the Notes. The Secured Party shall promptly notify all holders of Notes of any default of which the Secured Party has actual knowledge. Upon receipt by the Secured Party of such written notice from a holder of a Note, the Secured Party shall promptly notify all other holders of Notes of such notice and the default referred to therein, by prepaid registered mail addressed to them at their addresses set forth in the Register.

(b) The Secured Party makes no representation or warranty as to the validity, sufficiency or enforceability of this Security Agreement, the Notes, the Participation Agreement or any instrument included in the Collateral, or as to the value, title, condition, fitness for use of, or otherwise with respect to, any Equipment or Item of Equipment or any substitute therefor. The Secured Party shall not be accountable to anyone for the use or application of any of the Notes or the proceeds thereof or for the use or application of any property or the proceeds thereof which shall be released from the lien and security interest hereof in accordance with the provisions of this Security Agreement.

(c) The Secured Party may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(d) Any request, direction or authorization by the Debtor or the Lessee shall be sufficiently evidenced by a request, direction or authorization in writing, delivered to the Secured Party, and signed in the name of the Debtor or the Lessee, as the case may be, by its Chairman of the Board, President, any Vice President, Treasurer or Secretary; and any resolution of the Board of Directors of the Debtor or the Lessee shall be sufficiently evidenced by a copy of such resolution certified by its Secretary or an Assistant Secretary to have been duly adopted and to be in full force and effect on the date of such certification, and delivered to the Secured Party.

(e) Whenever in the administration of the trust herein provided for the Secured Party shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate purporting to be signed by the Chairman of the Board, the President, any Vice President, the Treasurer or the Secretary of the Debtor and delivered to the Secured Party, and such certificate

shall be full warrant to the Secured Party or any other person for any action taken, suffered or omitted on the faith thereof, but in its discretion the Secured Party may accept, in lieu thereof, other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable.

(f) The Secured Party may consult with counsel, appraisers, engineers, accountants and other skilled persons to be selected by the Secured Party, and the written advice of any thereof shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and reliance thereon.

(g) The Secured Party shall be under no obligation to take any action to protect, preserve or enforce any rights or interests in the Collateral or to take any action towards the execution or enforcement of the trusts hereunder or otherwise hereunder, whether on its own motion or on the request of any other person, which in the opinion of the Secured Party may involve loss, liability, or expense, unless the Debtor or one or more holders of the Notes outstanding shall offer and furnish reasonable security or indemnity against loss, liability and expense to the Secured Party.

(h) The Secured Party shall not be liable to the holder of any Note for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Security Agreement.

(i) The Secured Party shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document, unless requested in writing to do so by the holders of not less than a majority in principal amount of the Notes then outstanding.

(j) The Secured Party may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Secured Party shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it with due care.

(k) The provisions of paragraphs (c) to (j), inclusive, of this Section 7.03 shall be subject to the provisions of Section 7.01 hereof.

7.04. SHOWINGS DEEMED NECESSARY BY SECURED PARTY. Notwithstanding anything elsewhere in this Security Agreement contained, the Secured Party shall have the right, but shall not be required, to demand in respect of withdrawal of any cash, the release of any property, the subjection of any after-acquired property to the lien of this Security Agreement or the Mortgage, or any other action whatsoever within the purview hereof, any showings, certificates, opinions, appraisals or other information by the Secured Party reasonably deemed necessary or appropriate in addition to the matters by the terms hereof required as a condition precedent to such action.

7.05. STATUS OF MONEYS RECEIVED. All moneys received by the Secured Party shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys, except to the extent required by law, and may be deposited by the Secured Party under such general conditions as may be prescribed by law in the Secured Party's general banking department, and the Secured Party shall be under no liability for interest on any moneys received by it hereunder. The Secured Party and any affiliated corporation may become the owner of any Note secured hereby and be interested in any financial transaction with the Debtor or any affiliated corporation or the

Lessee or any affiliated corporation, or the Secured Party may act as depositary or otherwise in respect to other securities of the Debtor or any affiliated corporation or the Lessee or any affiliated corporation, all with the same rights which it would have if not the Secured Party.

7.06. SECURED PARTY TO BE APPROVED TRUSTEE. The Secured Party shall at all times be a bank or trust company which is a trustee approved by the Secretary of Commerce pursuant to Sections 9 and 37 of the Shipping Act, 1916, as amended, and Subsection O of the Ship Mortgage Act, 1920, as amended.

7.07. RESIGNATION OF SECURED PARTY. The Secured Party may resign and be discharged of the trusts hereby created by mailing a notice specifying the date when such resignation shall take effect to the Debtor and to the holders of the Notes at their addresses set forth in the Register. Such resignation shall take effect on the date specified in such notice (being not less than thirty days after the mailing of such notice) unless previously a successor secured party shall have been appointed as hereinafter provided, in which event such resignation shall take effect immediately upon the appointment of such successor.

7.08. REMOVAL OF SECURED PARTY. The Secured Party may be removed by:

(a) An instrument or concurrent instruments in writing signed and acknowledged by the holders of a majority in principal amount of the Notes and delivered to the Secured Party and to the Debtor; or

(b) Notice of Proposed Finding of Lack of Qualification of the Secured Party published by the Secretary of Commerce pursuant to General Order 107, as now or hereafter amended (46 CFR Part 221), which shall not have been withdrawn within five days after such publication.

7.09. SUCCESSOR SECURED PARTY. Each secured party appointed in succession of the Secured Party named in this Security Agreement, or its successor in the trust, shall be a trust company or banking corporation having an office in the City of Chicago, Illinois, in good standing and having a capital and surplus aggregating at least \$50,000,000, if there be such a trust company or banking corporation qualified, able and willing to accept the trust upon reasonable or customary terms and shall be a trustee approved as required by Section 7.06 hereof.

7.10. APPOINTMENT OF SUCCESSOR SECURED PARTY. In case at any time the Secured Party shall resign or be removed or become incapable of acting, a successor secured party may be appointed by the holders of a majority in aggregate principal amount of the Notes at the time outstanding, by an instrument or instruments in writing executed by such holders and filed with such successor secured party.

Until a successor secured party shall be so appointed by the holders of the Notes, a successor secured party may be appointed by the Debtor by an instrument in writing executed by the Debtor and delivered to the successor secured party, or, upon application of the retiring secured party, by any court of competent jurisdiction. Any successor secured party appointed pursuant to this paragraph shall immediately and without further act be superseded by a successor secured party appointed by the holders of a majority in aggregate principal amount of the Notes then outstanding.

7.11. MERGER OR CONSOLIDATION OF SECURED PARTY. Any company into which the Secured Party, or any successor to it in the trust created by this Security Agreement, may be merged or converted or with which it or any successor to it may be consolidated or any company

resulting from any merger or consolidation to which the Secured Party or any successor to it shall be a party (provided such company shall be a trustee approved by the Secretary of Commerce and shall be a corporation organized under the laws of the State of Illinois or of the United States of America, having a capital and surplus of at least \$50,000,000), shall be the successor to the Secured Party under this Security Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto. The Debtor covenants that in case of any such merger, consolidation or conversion it will, upon the request of the merged, consolidated or converted corporation, execute, acknowledge and cause to be recorded or filed suitable instruments in writing to confirm the estates, rights and interests of such corporation as secured party under this Security Agreement.

7.12. CONVEYANCE UPON REQUEST OF SUCCESSOR SECURED PARTY. Should any deed, conveyance or instrument in writing from the Debtor be required by any successor secured party for more fully and certainly vesting in and confirming to such new secured party such estates, rights, powers and duties, then upon request any and all such deeds, conveyances and instruments in writing shall be made, executed, acknowledged and delivered, and shall be caused to be recorded and/or filed, by the Debtor.

7.13. ACCEPTANCE OF APPOINTMENT BY SUCCESSOR SECURED PARTY. Any new secured party appointed pursuant to any of the provisions hereof shall execute, acknowledge and deliver to the Debtor an instrument accepting such appointment; and thereupon such new secured party, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers and trusts of its predecessor in the rights hereunder with like effect as if originally named as secured party herein; but nevertheless, upon the written request of the Debtor or of the successor secured party, the secured party ceasing to act shall execute and deliver an instrument transferring to such successor secured party, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of the secured party so ceasing to act, and shall duly assign, transfer and deliver any of the property and moneys held by such secured party to the successor secured party so appointed in its or his place.

SECTION 8. LIMITATIONS OF LIABILITY.

This Security Agreement, the Mortgage and the Notes are executed by the Debtor, not individually or personally but solely as Trustee under the Trust Agreement in the exercise of the power and authority therein conferred and vested in it as such Trustee; and, without limiting the other obligations and liabilities of the Debtor hereunder, nothing herein contained shall be construed as creating any personal liability on the Debtor for the payment of any amount payable by the Debtor for principal, premium, if any, and interest on the Notes. Each holder of a Note, by its acceptance thereof, and the Secured Party agree that so far as the Debtor, individually or personally, is concerned, the holders of the Notes and the Secured Party will look solely to the Trust Estate (as defined in the Trust Agreement) for payment of principal, premium, if any, and interest on the Notes.

Each holder of a Series A Note and the Secured Party further agree that the holders of the Series A Notes and the Secured Party shall have no recourse to the Equity Vessels, the Equity Units of Railroad Equipment, the Equity Charter Hire or the Equity Rent (as each of said terms is defined in Section 3.02(b) of the Participation Agreement) or any portion of the Trust Estate representing proceeds thereof for payment of principal, premium, if any, and interest on the Series A Notes.

The Trustor shall have no liability for the performance of the Notes, the Mortgage or this Security Agreement.

SECTION 9. RELATIVE POSITION OF SECURITY AGREEMENT.

The security interest in the Railroad Equipment of this Security Agreement is expressly made subject and subordinate to the rights and privileges of the Lessee under the Lease.

SECTION 10. SUPPLEMENTAL SECURITY AGREEMENTS; WAIVERS.

10.01. SUPPLEMENTAL SECURITY AGREEMENTS WITHOUT NOTEHOLDERS' CONSENT. The Debtor and the Secured Party from time to time and at any time, subject to the restrictions in this Security Agreement contained, may enter into an agreement or agreements supplemental hereto and which thereafter shall form a part hereof for any one or more or all of the following purposes:

(a) to add to the covenants and agreements to be observed by, and to surrender any right or power reserved to or conferred upon the Debtor;

(b) to subject to the security interest of this Security Agreement additional property hereafter acquired by the Debtor and intended to be subjected to the security interest of this Security Agreement, and to correct and amplify the description of any property subject to the security interest of this Security Agreement;

(c) to permit the qualification of this Security Agreement under the Trust Indenture Act of 1939, as amended, or any similar Federal statute hereafter in effect, except that nothing herein contained shall permit or authorize the inclusion of the provisions referred to in Section 316(a)(2) of said Trust Indenture Act of 1939 or any corresponding provision in any similar Federal statute hereafter in effect;

(d) to provide for the issuance of any series of Notes, other than the Series A Notes, as contemplated by Section 2.09 hereof and to set forth the terms of and to make other appropriate provisions with respect to such series of Notes and the securing thereof; or

(e) for any other purpose not inconsistent with the terms of this Security Agreement, or to cure any ambiguity or cure, correct or supplement any defect or inconsistent provisions of this Security Agreement or any supplement;

and the Debtor covenants to perform all requirements of any such supplemental agreement. No restriction or obligation imposed upon the Debtor may, except as otherwise provided in this Security Agreement, be waived or modified by such supplemental agreements, or otherwise.

10.02. WAIVERS AND CONSENTS BY NOTEHOLDERS; SUPPLEMENTAL SECURITY AGREEMENTS WITH NOTEHOLDERS' CONSENT. Upon the waiver or consent of the holders of at least 66⅔% in aggregate principal amount of the Notes (a) the Debtor may take any action prohibited, or omit the taking of any action required, by any of the provisions of this Security Agreement or any agreement supplemental hereto, or (b) the Debtor and the Secured Party may enter into an agreement or agreements supplemental hereto for the purpose of adding, changing or eliminating any provisions of this Security Agreement or of any agreement supplemental hereto or modifying in any manner the rights and obligations of the holders of the Notes and the Debtor; provided, that no such waiver or supplemental agreement shall (i) impair or affect the right of any holder to receive payments or prepayments of the principal of and payments of the interest and premium, if any, on its Note, as therein and herein provided, without the consent of such holder, (ii) permit the creation of any lien or security interest with respect to any of the Collateral, without the consent of the holders of all the Notes at the time outstanding, (iii) effect the deprivation of the holder of any Note of the benefit of the security interest of this Security

Agreement upon all or any part of the Collateral without the consent of such holder, (iv) reduce the aforesaid percentage of the aggregate principal amount of Notes, the holders of which are required to consent to any such waiver or supplemental agreement pursuant to this Section, without the consent of the holders of all of the Notes at the time outstanding, or (v) modify the rights, duties or immunities of the Secured Party, without the consent of the holders of all of the Notes at the time outstanding.

10.03. NOTICE OF SUPPLEMENTAL SECURITY AGREEMENTS. Promptly after the execution by the Debtor and the Secured Party of any supplemental agreement pursuant to the provisions of Section 10.01 or 10.02 hereof, the Secured Party shall give written notice, setting forth in general terms the substance of such supplemental agreement, together with a conformed copy thereof, mailed, first-class, postage prepaid, to each holder of the Notes. Any failure of the Secured Party to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental agreement.

10.04. OPINION OF COUNSEL CONCLUSIVE AS TO SUPPLEMENTAL SECURITY AGREEMENTS. The Secured Party is hereby authorized to join with the Debtor in the execution of any such supplemental agreement authorized or permitted by the terms of this Security Agreement and to make the further agreements and stipulations which may be therein contained, and the Secured Party may receive an opinion of counsel as conclusive evidence that any supplemental agreement executed pursuant to the provisions of this Section 10 complies with the requirements of this Section 10.

SECTION 11. MISCELLANEOUS.

11.01. SUCCESSORS AND ASSIGNS. Whenever any of the parties hereto is referred to such reference shall be deemed to include the successors and assigns of such party; and all the covenants, premises and agreements in this Security Agreement contained by or on behalf of the Debtor or by or on behalf of the Secured Party, shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

11.02. SEVERABILITY. Any provision of this Security Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

11.03. COMMUNICATIONS. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or when deposited in the United States mail, registered postage prepaid, addressed as follows:

If to the Debtor:	Continental Illinois National Bank and Trust Company of Chicago 231 South LaSalle Street Chicago, Illinois 60690 Attention: <i>Corporate Trust Department</i>
-------------------	---

(with copies of such notice to be sent to:

General Electric Credit Corporation
Post Office Box 8300
Stamford, Connecticut 06904
Attention: *Loan Officer—Marine Leasing Component*
and

Attention: *Loan Officer—Rail Leasing Component*)

If to the Secured Party: Harris Trust and Savings Bank
111 West Monroe Street
Chicago, Illinois 60690
Attention: *Corporate Trust Division*

If to the Lessee: Union Carbide Corporation
270 Park Avenue
New York, New York 10017
Attention: *Treasurer*

(with copies of such notice to be sent
Attention: *Vice President Distribution—Chemicals and Plastics*
and

Attention: *Director of Corporate Distribution*)

If to the holder of any Notes: At its address for notices set forth in the Register

or to any such party at such other address as such party may designate by notice duly given in accordance with this Section to the other parties.

11.04. RELEASE. Upon presentation of satisfactory evidence that any Class of any Series of Notes has been fully paid or discharged, the Secured Party by proper instrument or instruments shall release this Security Agreement and the security interest granted hereby insofar as this Security Agreement and the security interest granted hereby relate to the Items of Equipment financed with the proceeds of such Class of Notes.


11.05. COUNTERPARTS. This Security Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Security Agreement.

11.06. HEADINGS AND TABLE OF CONTENTS. Any headings or captions preceding the text of the several sections hereof and the Table of Contents are intended solely for convenience of reference and shall not constitute a part of this Security Agreement nor shall they affect its meaning, construction or effect.

11.07. LAW GOVERNING. This Security Agreement shall be construed in accordance with the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by any applicable Federal statute, rule or regulation.

IN WITNESS WHEREOF, the Debtor has caused this Security Agreement to be executed, and Harris Trust and Savings Bank, in evidence of its acceptance of the trusts hereby created, has caused this Security Agreement to be executed on its behalf by one of its Vice Presidents and its corporate seal to be hereunto affixed, and said seal and this Security Agreement to be attested by one of its Assistant Secretaries.

CONTINENTAL ILLINOIS NATIONAL BANK AND
TRUST COMPANY OF CHICAGO
as Trustee under U.C. Trust No. 13

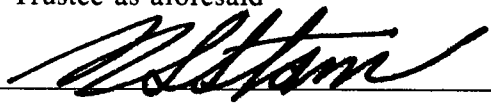
By 
Vice President
Debtor

[CORPORATE SEAL]

Attest:


Trust Officer

HARRIS TRUST AND SAVINGS BANK
As Trustee as aforesaid

By 
Vice President
Secured Party

[CORPORATE SEAL]

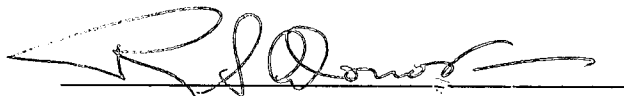
Attest:


Assistant Secretary

STATE OF ILLINOIS }
COUNTY OF COOK } ss.:

On this 11th day of JULY, 1977, before me personally appeared DONALD W. ALFVIN, to me personally known, who being by me duly sworn, says that he is a Vice President of CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

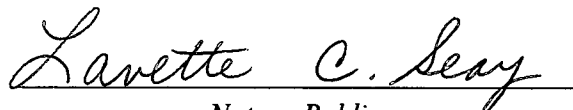

Notary Public

My commission expires April 26, 1980

STATE OF ILLINOIS }
COUNTY OF COOK } ss.:

On this 12th day of JULY, 1977, before me personally appeared R. S. STAM, to me personally known, who being by me duly sworn, says that he is a Vice President of HARRIS TRUST AND SAVINGS BANK, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]


Notary Public

My commission expires NOVEMBER 29, 1980



**CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO**
As Trustee under U.C. Trust No. 13

8½% SECURED NOTE, SERIES A

**[Railroad/Marine] Equipment
Group:**

Class:

Number:

\$

, 19

FOR VALUE RECEIVED the undersigned, CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, not individually but solely as Trustee (the "Trustee") under a Trust Agreement dated as of December 15, 1976 (the "Trust Agreement") with General Electric Credit Corporation, a New York corporation (the "Trustor"), promises to pay to _____ or registered assigns, the principal amount of _____ in installments as follows:

[See variations in Annex A attached hereto]

and to pay interest computed on the Bond Basis at the rate of 9½% per annum on the principal of each of said installments from and after the maturity thereof, whether by acceleration or otherwise, until paid, provided that there shall be no interest due in respect of any of said installments for the period from and after the maturity thereof if the date of maturity thereof is not a business day and said installment is paid on the first business day following such date of maturity.

All payments of principal of and interest on this Note shall be made at the principal office of Harris Trust and Savings Bank, 111 West Monroe Street, Chicago, Illinois 60690, in coin or currency of the United States of America which at the time payment shall be legal tender for the payment of public and private debts.

This Note is one of the 8½% Secured Notes, Series A (the "Notes") issued or to be issued under and pursuant to the Participation Agreement dated as of December 15, 1976 (the "Participation Agreement"), among the Trustee, the Trustor, Union Carbide Corporation, Manufacturers Hanover Trust Company, Harris Trust and Savings Bank, as Security Trustee (the "Secured Party") and the Note Purchasers named in Schedule 1 thereto (the "Note Purchasers") and is equally and ratably with said other Notes secured by (i) that certain Security Agreement and Indenture of Trust dated as of December 15, 1976 (the "Security Agreement") from the Trustee to the Secured Party and (ii) that certain First Preferred Fleet mortgage (the "Mortgage") to be executed and delivered by the Trustee to the Secured Party pursuant to Section 6.05(c) of the Participation Agreement.

This Note and the holder hereof are entitled, equally and ratably with the holders of all other Notes, to all of the benefits and security provided for by or referred to in the Participation Agreement, the Security Agreement and the Mortgage and all supplemental Security Agreements and supplemental Mortgages executed pursuant to the Participation Agreement, the Security Agreement and the Mortgage, to which instruments reference is made for a statement thereof,

**EXHIBIT 1
(To Security Agreement and Indenture of Trust)**

This Note is registered on the books of the Secured Party and is transferable only by surrender thereof at the principal office of the Secured Party duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of this Note or his attorney duly authorized in writing. Payment of or on account of principal, premium, if any, and interest on this Note shall be made only to or upon the order in writing of the registered holder.

This Note may be declared due prior to its expressed maturity date all in the events, on the terms and in the manner provided for in the Security Agreement. Certain prepayments may be made hereon at the option of the Trustee and certain prepayments are required to be made hereon on the terms and in the manner provided for in the Participation Agreement and the Security Agreement.

This Note is executed by the Trustee, not individually or personally but solely as Trustee under the Trust Agreement in the exercise of the power and authority therein conferred and vested in it as such Trustee; and nothing herein contained shall be construed as creating any personal liability on the Trustee for the payment of any amount payable by the Trustee for principal, premium, if any, and interest hereon. The holder hereof, by its acceptance hereof, agrees that such holder will look solely to the Trust Estate (as defined in the Trust Agreement) for payment of principal, premium, if any, and interest hereon and that neither the Trustor, the Trustee or the Secured Party shall be personally liable to the holder hereof for any amounts payable under this Note or the Security Agreement.

This Note shall be governed by and construed in accordance with the laws of the State of Illinois.

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO
Trustee under Trust Agreement
dated as of December 15, 1977

By _____
Its

SECURED PARTY'S CERTIFICATE

This is one of the notes of the series designated herein, referred to in the within-mentioned Security Agreement.

DATED:

HARRIS TRUST AND SAVINGS BANK
as Security Trustee

By _____
Authorized Officer

THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAW OF ANY STATE, AND MAY BE OFFERED OR SOLD ONLY IF SO REGISTERED OR IF AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

CLASS 1 NOTES

(i) One installment of all accrued and unpaid interest at the rate of 8½% per annum computed on the basis of a 360-day year of twelve consecutive 30-day months (the "Bond Basis") on the unpaid principal hereof from and including the date hereof to but not including January 19, 1978 payable on January 19, 1978; followed by

(ii) Forty-nine installments of principal in the respective amounts set forth below (said amounts being expressed as percentages of the original principal amount hereof) payable on the nineteenth day of each January and July in each year, commencing July 19, 1978 to and including July 19, 2002, together with interest from and including January 19, 1978, to but not including July 19, 2002 at the rate of 8½% per annum computed on the Bond Basis on the unpaid principal hereof payable semiannually on the dates for payment of installments of principal set forth above:

<u>Payment No.</u>	<u>Amount of Payment</u>	<u>Payment No.</u>	<u>Amount of Payment</u>
1	.828680%	26	2.533394%
2	.863899%	27	1.616986%
3	.900615%	28	1.685708%
4	.938891%	29	1.686437%
5	.978794%	30	1.758111%
6	1.020392%	31	1.758873%
7	1.063759%	32	1.833625%
8	1.108969%	33	1.834419%
9	1.156100%	34	1.912382%
10	1.205234%	35	1.913210%
11	1.256457%	36	1.994521%
12	1.309856%	37	1.995386%
13	1.365525%	38	2.080190%
14	1.423560%	39	2.081091%
15	1.484061%	40	2.169537%
16	1.547134%	41	2.170477%
17	1.612887%	42	2.262723%
18	1.681435%	43	2.263702%
19	2.381454%	44	2.359910%
20	2.482666%	45	2.360932%
21	2.588179%	46	2.461271%
22	2.698176%	47	3.167232%
23	2.812849%	48	3.301840%
24	2.932395%	49	5.251385%
25	2.430114%		

; followed by

(iii) A final installment in an amount equal to the entire principal remaining unpaid as of said date, together with interest from and including July 19, 2002 to but not including January 19, 2003 at the rate of 8½% per annum computed on the Bond Basis on the unpaid principal hereof payable on January 19, 2003;

ANNEX A
(To Exhibit 1)

CLASS 2 NOTES

(i) One installment of all accrued and unpaid interest at the rate of 8-½% per annum computed on the basis of a 360-day year of twelve consecutive 30-day months (the "Bond Basis") on the unpaid principal hereof from and including the date hereof to but not including January 19, 1978 payable on January 19, 1978; followed by

(ii) Thirty-nine installments of principal in the respective amounts set forth below (said amounts being expressed as percentages of the original principal amount hereof) payable on the nineteenth day of each January and July in each year, commencing July 19, 1978 to and including July 19, 1997, together with interest from and including January 19, 1978 to but not including July 19, 1997 at the rate of 8½% per annum computed on the Bond Basis on the unpaid principal hereof payable semiannually on the dates for payment of installments of principal set forth above:

<u>Payment No.</u>	<u>Amount of Payment</u>	<u>Payment No.</u>	<u>Amount of Payment</u>
1	.991839%	21	3.523715%
2	1.033992%	22	3.228748%
3	1.077937%	23	3.365970%
4	1.123749%	24	3.069783%
5	1.171508%	25	3.200248%
6	1.221297%	26	2.903873%
7	1.273203%	27	3.027287%
8	1.327314%	28	2.730714%
9	1.383725%	29	2.846770%
10	1.442533%	30	2.698397%
11	1.503840%	31	2.813079%
12	1.567754%	32	2.816279%
13	1.775061%	33	2.935971%
14	1.850501%	34	2.939312%
15	2.178226%	35	3.064232%
16	3.502004%	36	3.067718%
17	3.650839%	37	3.198096%
18	3.524476%	38	3.201734%
19	3.674266%	39	3.337808%
20	3.380063%		

; followed by

(iii) A final installment in an amount equal to the entire principal remaining unpaid as of said date, together with interest from and including July 19, 1997 to but not including January 19, 1998 at the rate of 8½% per annum computed on the Bond Basis on the unpaid principal hereof payable on January 19, 1998;

ANNEX A
(Continued)

CLASS 3 NOTES

(i) Forty-nine installments of principal in the respective amounts set forth below (said amounts being expressed as percentages of the original principal amount hereof) payable on the nineteenth day of each January and July in each year, commencing July 19, 1978 to and including July 19, 2002, together with interest from and including the date hereof, to but not including July 19, 2002 at the rate of 8½% per annum computed on the basis of a 360-day year of twelve consecutive 30-day months (the "Bond Basis") on the unpaid principal hereof payable semiannually on the dates for payment of installments of principal set forth above:

<u>Payment No.</u>	<u>Amount of Payment</u>	<u>Payment No.</u>	<u>Amount of Payment</u>
1	.696736%	26	2.002241%
2	.726347%	27	1.716106%
3	.757217%	28	1.789041%
4	.789399%	29	1.789816%
5	.822948%	30	1.865883%
6	.857924%	31	1.866691%
7	.894385%	32	1.946025%
8	.932397%	33	1.946869%
9	.972024%	34	2.029610%
10	1.013335%	35	2.030489%
11	1.056401%	36	2.116785%
12	1.101298%	37	2.117702%
13	1.148104%	38	2.207704%
14	1.196898%	39	2.208661%
15	1.247766%	40	2.302529%
16	1.300796%	41	2.303526%
17	1.356080%	42	2.401426%
18	1.413713%	43	2.402466%
19	2.571963%	44	2.504571%
20	2.681272%	45	2.505656%
21	2.795226%	46	2.612146%
22	2.914023%	47	3.232212%
23	3.037869%	48	3.369582%
24	3.166978%	49	5.562080%
25	1.920615%		

; followed by

(ii) A final installment in an amount equal to the entire principal remaining unpaid as of said date, together with interest from and including July 19, 2002 to but not including January 19, 2003 at the rate of 8½% per annum computed on the Bond Basis on the unpaid principal hereof payable on January 19, 2003;

ANNEX A
(Continued)

CLASS 4 NOTES

(i) Thirty-nine installments of principal in the respective amounts set forth below (said amounts being expressed as percentages of the original principal amount hereof) payable on the nineteenth day of each January and July in each year, commencing July 19, 1978 to and including July 19, 1997, together with interest from and including the date hereof, to but not including July 19, 1997 at the rate of 8½% per annum computed on the basis of a 360-day year of twelve consecutive 30-day months (the "Bond Basis") on the unpaid principal hereof payable semiannually on the dates for payment of installments of principal set forth above:

<u>Payment No.</u>	<u>Amount of Payment</u>	<u>Payment No.</u>	<u>Amount of Payment</u>
1	.991839%	21	3.495610%
2	1.033992%	22	3.199282%
3	1.077937%	23	3.335251%
4	1.123749%	24	3.037549%
5	1.171508%	25	3.166645%
6	1.221297%	26	2.868750%
7	1.273203%	27	2.990672%
8	1.327314%	28	2.692576%
9	1.383725%	29	2.807010%
10	1.442533%	30	2.657849%
11	1.783123%	31	2.770808%
12	1.858906%	32	2.773970%
13	1.977069%	33	2.891864%
14	2.061094%	34	2.895166%
15	2.148691%	35	3.018211%
16	3.467615%	36	3.021656%
17	3.614989%	37	3.150076%
18	3.499894%	38	3.153672%
19	3.648639%	39	3.287703%
20	3.353103%		

; followed by

(ii) A final installment in an amount equal to the entire principal remaining unpaid as of said date, together with interest from and including July 19, 1997 to but not including January 19, 1998 at the rate of 8½% per annum computed on the Bond Basis on the unpaid principal hereof payable on January 19, 1998;

ANNEX A
(Continued)

CLASS 5 NOTES

(i) One installment of all accrued and unpaid interest at the rate of 8½% per annum computed on the basis of a 360-day year of twelve consecutive 30-day months (the "Bond Basis") on the unpaid principal hereof from and including the date hereof to but not including January 19, 1979 payable on January 19, 1979; followed by

(ii) Forty-nine installments of principal in the respective amounts set forth below (said amounts being expressed as percentages of the original principal amount hereof) payable on the nineteenth day of each January and July in each year, commencing July 19, 1979 to and including July 19, 2003, together with interest from and including January 19, 1979, to but not including July 19, 2003 at the rate of 8½% per annum computed on the Bond Basis on the unpaid principal hereof payable semiannually on the dates for payment of installments of principal set forth above:

<u>Payment No.</u>	<u>Amount of Payment</u>	<u>Payment No.</u>	<u>Amount of Payment</u>
1	.828680%	26	2.533394%
2	.863899%	27	1.616986%
3	.900615%	28	1.685708%
4	.938891%	29	1.686437%
5	.978794%	30	1.758111%
6	1.020392%	31	1.758873%
7	1.063759%	32	1.833625%
8	1.108969%	33	1.834419%
9	1.156100%	34	1.912382%
10	1.205234%	35	1.913210%
11	1.256457%	36	1.994521%
12	1.309856%	37	1.995386%
13	1.365525%	38	2.080190%
14	1.423560%	39	2.081091%
15	1.484061%	40	2.169537%
16	1.547134%	41	2.170477%
17	1.612887%	42	2.262723%
18	1.681435%	43	2.263702%
19	2.381454%	44	2.359910%
20	2.482666%	45	2.360932%
21	2.588179%	46	2.461271%
22	2.698176%	47	3.167232%
23	2.812849%	48	3.301840%
24	2.932395%	49	5.251385%
25	2.430114%		

; followed by

(iii) A final installment in an amount equal to the entire principal remaining unpaid as of said date, together with interest from and including July 19, 2003 to but not including January 19, 2004 at the rate of 8½% per annum computed on the Bond Basis on the unpaid principal hereof payable on January 19, 2004;

ANNEX A
(Continued)

CLASS 6 NOTES

(i) One installment of all accrued and unpaid interest at the rate of 8½% per annum computed on the basis of a 360-day year of twelve consecutive 30-day months (the "Bond Basis") on the unpaid principal hereof from and including the date hereof to but not including January 19, 1979 payable on January 19, 1979; followed by

(ii) Thirty-nine installments of principal in the respective amounts set forth below (said amounts being expressed as percentages of the original principal amount hereof) payable on the nineteenth day of each January and July in each year, commencing July 19, 1979 to and including July 19, 1998, together with interest from and including January 19, 1979, to but not including July 19, 1998 at the rate of 8½% per annum computed on the Bond Basis on the unpaid principal hereof payable semiannually on the dates for payment of installments of principal set forth above:

<u>Payment No.</u>	<u>Amount of Payment</u>	<u>Payment No.</u>	<u>Amount of Payment</u>
1	.991839%	21	3.523715%
2	1.033992%	22	3.228748%
3	1.077937%	23	3.365970%
4	1.123749%	24	3.069783%
5	1.171508%	25	3.200248%
6	1.221297%	26	2.903873%
7	1.273203%	27	3.027287%
8	1.327314%	28	2.730714%
9	1.383725%	29	2.846770%
10	1.442533%	30	2.698397%
11	1.503840%	31	2.813079%
12	1.567754%	32	2.816279%
13	1.775061%	33	2.935971%
14	1.850501%	34	2.939312%
15	2.178226%	35	3.064232%
16	3.502004%	36	3.067718%
17	3.650839%	37	3.198096%
18	3.524476%	38	3.201734%
19	3.674266%	39	3.337808%
20	3.380063%		

; followed by

(iii) A final installment in an amount equal to the entire principal remaining unpaid as of said date, together with interest from and including July 19, 1998 to but not including January 19, 1999 at the rate of 8½% per annum computed on the Bond Basis on the unpaid principal hereof payable on January 19, 1999;

ANNEX A
(Continued)

SUPPLEMENT NO.

Dated as of

FROM

**CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO**

**As Trustee under
U.C. Trust No. 13**

Debtor

TO

HARRIS TRUST AND SAVINGS BANK

As Security Trustee

Secured Party

Re:

SECURITY AGREEMENT AND INDENTURE OF TRUST

Dated as of December 15, 1976

EXHIBIT 2

(to Security Agreement and Indenture of Trust)

SUPPLEMENT NO.

THIS SUPPLEMENT NO. dated as of from CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, not in its individual capacity but solely as Trustee under a Trust Agreement dated as of December 15, 1976 (the "Debtor"), whose Post Office address is 231 South LaSalle Street, Chicago, Illinois 60690, to HARRIS TRUST AND SAVINGS BANK (the "Secured Party"), whose principal office is at 111 West Monroe Street, Chicago, Illinois 60690.

RECITALS:

A. The Debtor and the Secured Party have heretofore entered into that certain Security Agreement and Indenture of Trust dated as of December 15, 1976 (the "Original Security Agreement") as security for the payment in full of all principal of and interest on the 8½% Secured Notes, Series A of the Debtor in the aggregate principal amount of not more than \$14,300,000 (the "Notes") issued under and pursuant to the Participation Agreement dated as of December 15, 1976 (the "Participation Agreement") among Union Carbide Corporation, General Electric Credit Corporation, Manufacturers Hanover Trust Company, the Debtor, the Secured Party and the Note Purchasers named in Schedule 1 thereto.

B. The Debtor desires to reconvey and to confirm the security interest created by the Original Security Agreement in respect of the properties therein described and to convey and create a security interest in the properties further described herein.

C. All of the requirements of law have been fully complied with and all other acts and things necessary to make this Supplement a valid, binding and legal instrument for the security of the Notes have been done and performed. It is the intention of the parties hereto that this Supplement shall constitute a mortgage of the Railroad Equipment and assignment of the Lease for purposes of Section 20c of the Interstate Commerce Act.

NOW, THEREFORE, in consideration of the premises and of the sum of Ten Dollars received by the Debtor from the Secured Party and other good and valuable consideration, the receipt whereof is hereby acknowledged, and in order to secure the equal and pro rata payment of both the principal of and interest and premium, if any, upon Series A Notes and such other Notes as may at any time be issued and outstanding under the Original Security Agreement, as supplemented hereby, according to their tenor and effect, and to secure the payment of all other Indebtedness Hereby Secured and the performance and observance of all the covenants contained in the Notes, the Original Security Agreement, as supplemented hereby, and the Participation Agreement, the Debtor does hereby sell, convey, warrant, mortgage, assign, pledge and grant a security interest in, and hypothecate unto the Secured Party, its successors in trust and assigns, forever, all and singular the following described properties, rights, interests and privileges (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to, together with the Collateral under the Original Security Agreement, as the "Collateral"):

DIVISION A

All right, title, interest, claims and demands of the Debtor as owner in, to and under the Charter, including all extensions of the term of the Charter, together with all rights, powers, privileges, options and other benefits of the Debtor as owner under the Charter, including, without limitation, but subject to Excepted Rights in Collateral:

(i) the immediate and continuing right to receive and collect all Basic Charter Hire (excepting and reserving, however, all Interim Charter Hire), insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable to or receivable by the owner under the Charter pursuant thereto,

(ii) the right to make all waivers and agreements and to give and receive duplicate copies of all notices and other instruments or communications (provided that so long as no Event of Default hereunder shall have occurred and be continuing the Secured Party shall not exercise such right without the prior or concurrent written approval of the Debtor), and

(iii) to take such action upon the occurrence of an Event of Default under the Charter, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Charter or by law, and to do any and all other things whatsoever which the Debtor or any owner is or may be entitled to do under the Charter;

but only insofar as the Charter and such rights, powers, privileges, options and other benefits of the Debtor, as owner thereunder, extend or relate to the Vessels specifically described in Schedule A attached hereto, as said Schedule A may from time to time be supplemented pursuant to Section 10.01 of the Original Security Agreement. It is the intent and purpose hereof that, subject always to Excepted Rights in Collateral, the grant to the Secured Party of a security interest in said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive said Basic Charter Hire and other sums for application in accordance with the provisions of Section 5 of the Original Security Agreement at all times during the period from and after the date of this Supplement until the Indebtedness Hereby Secured has been fully paid and discharged.

DIVISION B

The Railroad Equipment described in Schedule B attached hereto and made a part hereof constituting a part of the railroad equipment leased or to be leased under the Lease, together with all accessories, equipment, parts and appurtenances appertaining or attached to any of the Railroad Equipment hereinabove described, whether now owned or hereafter acquired, and all substitutions, renewals, or replacements of and additions, improvements, accessions and accumulations to any and all of said Railroad Equipment (other than additions, modifications and improvements which are owned by the Lessee under the terms of Section 8 of the Lease) together with all the rents, issues, income, profits and avails therefrom, *subject, however, to Permitted Encumbrances.*

DIVISION C

All right, title, interest, claims and demands of the Debtor as lessor in, to and under the Lease, including all extensions of the term of the Lease, together with all rights, powers, privileges, options and other benefits of the Debtor as lessor under the Lease, including, without limitation, but subject always to Excepted Rights in Collateral:

(i) the immediate and continuing right to receive and collect all Basic Rent (excepting and reserving, however, all Interim Rent), insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable to or receivable by the lessor under the Lease pursuant thereto,

(ii) the right to make all waivers and agreements and to give and receive duplicate copies of all notices and other instruments or communications (provided that so long as no

Event of Default hereunder shall have occurred and be continuing the Secured Party shall not exercise such right without the prior or concurrent written approval of the Debtor), and

(iii) to take such action upon the occurrence of an Event of Default under the Lease, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Lease or by law, and to do any and all other things whatsoever which the Debtor or any lessor is or may be entitled to do under the Lease;

but only insofar as the Lease and such rights, powers, privileges, options and other benefits of the Debtor, as lessor thereunder extend or relate to the Items of Railroad Equipment specifically described in Schedule B attached hereto, as said Schedule B may from time to time be supplemented pursuant to Section 10.01 of the Original Security Agreement. It is the intent and purpose hereof that subject always to Excepted Rights in Collateral, the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive said Basic Rent and other sums for application in accordance with the provisions of Section 5 of the Original Security Agreement at all times during the period from and after the date of this Supplement until the Indebtedness Hereby Secured has been fully paid and discharged.

SUBJECT, HOWEVER, to (a) the interest of the Lessee under the Lease and the Charter, and (b) Permitted Encumbrances.

EXCEPTING AND RESERVING, HOWEVER, Excepted Rights in Collateral.

TO HAVE AND TO HOLD the Collateral unto the Secured Party, its successors and assigns, forever; IN TRUST NEVERTHELESS, upon the terms and trust herein set forth, for the equal and proportionate benefit, security and protection of all present and future holders of the Notes outstanding under the Original Security Agreement, as supplemented hereby, from and after the issuance of the Notes, without preference, priority or distinction of any Note over any other Note by reason of priority of time of issue, sale, negotiation, date of maturity thereof or otherwise for any cause whatsoever; provided, always, however, that these presents are upon the express condition that if the Debtor shall pay or cause to be paid all the Indebtedness Hereby Secured and shall observe, keep and perform all the terms and conditions, covenants and agreements in the Original Security Agreement, as supplemented hereby, and in the Participation Agreement and the Notes contained, then these presents and the estate hereby granted and conveyed shall cease and the Original Security Agreement, as supplemented hereby, shall become null and void; otherwise the Original Security Agreement, as supplemented hereby shall remain in full force and effect.

SECTION 1. WARRANTY.

Subject to the limitations contained in the Original Security Agreement, the Debtor covenants, warrants and agrees that (i) the Debtor has the right, power and authority under the Trust Agreement to grant a security interest in the Collateral to the Secured Party for the uses and purposes set forth in the Original Security Agreement, as supplemented hereby, and (ii) the Debtor will warrant and defend the title to the Collateral against all claims and demands of persons claiming by, through or under the Debtor (excepting only Permitted Encumbrances).

SECTION 2. MISCELLANEOUS.

2.01. Subject to the limitations contained in the Original Security Agreement, the Debtor further covenants and agrees to perform and observe duly and punctually all of the covenants and agreements on its part contained in the Original Security Agreement, all such covenants and agreements being hereby ratified, approved and confirmed.

2.02. The capitalized terms used herein shall, except as otherwise provided herein, have the meanings therefor set forth in the Original Security Agreement.

2.03. This Supplement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one agreement.

2.04. This Supplement shall be construed in connection with and as part of the Original Security Agreement, and all terms, conditions and covenants contained in the Original Security Agreement except as herein modified shall be and remain in full force and effect.

2.05. Any and all notices, requests, certificates and other instruments executed and delivered after the execution and delivery of this Supplement may refer to the "Security Agreement and Indenture of Trust dated as of December 15, 1976" without making specific reference to this Supplement, but nevertheless all such references shall be deemed to include this Supplement unless the context shall otherwise require.

IN WITNESS WHEREOF, the parties hereto have caused this Supplement to be executed as of the day and year first above written.

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO,
as Trustee under U. C. Trust No. 13

By _____
Vice President
Debtor

[CORPORATE SEAL]

Attest:

Assistant Secretary

HARRIS TRUST AND SAVINGS BANK,
as Security Trustee

By _____
Vice President
Secured Party

[CORPORATE SEAL]

Attest:

Assistant Secretary

STATE OF ILLINOIS }
COUNTY OF COOK } SS.:

On this day of , 197 , before me personally appeared , to me personally known, who being by me duly sworn, says that he is the Vice President of CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[NOTARIAL SEAL]

My Commission Expires:

STATE OF ILLINOIS }
COUNTY OF COOK } SS.:

On this day of , 197 , before me personally appeared , to me personally known, who being by me duly sworn, says that he is the Vice President of HARRIS TRUST AND SAVINGS BANK, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[NOTARIAL SEAL]

My Commission Expires:

DESCRIPTION OF VESSELS

Number of
Vessels

Description

Names

SCHEDULE A
(to Supplement No.)

DESCRIPTION OF RAILROAD EQUIPMENT

**Number of
Items**

Description

**Identifying Numbers
(both inclusive)**

SCHEDULE B
(to Supplement No.)

DESCRIPTION OF VESSELS

**Number of
Vessels**

Description

Names

(NONE)

SCHEDULE A
(to Security Agreement and Indenture of Trust)

DESCRIPTION OF RAILROAD EQUIPMENT

<u>Number of Items</u>	<u>Description</u>	<u>Identifying Numbers (both inclusive)</u>
71	5,250 cubic feet Railroad Covered Hopper Cars	RAIX 60804-60874
106	85' Flat Cars for Hopper Van Box and Van Box Container Service	RAIX 101-206

SCHEDULE B (to Security Agreement and Indenture of Trust)